

EBRO FOODS, S.A. GROUP

CONSOLIDATED FINANCIAL STATEMENTS AND GROUP MANAGEMENT REPORT

for the year ended
December 31, 2016

(prepared in accordance with
International Financial Reporting
Standards
as adopted by the European Union)

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EBRO FOODS, S.A. GROUP
CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2016 AND 2015
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	<u>Note</u>	<u>31/12/2016</u>	<u>31/12/2015</u>
<u>NON-CURRENT ASSETS</u>			
Intangible assets	9	462,928	460,330
Property, plant and equipment	10	737,452	688,230
Investment properties	11	25,882	29,927
Financial assets	12	34,088	38,257
Investments in associates	13	37,299	24,052
Deferred tax assets	25	83,068	74,301
Goodwill	14	1,029,715	996,778
		<u>2,410,432</u>	<u>2,311,875</u>
<u>CURRENT ASSETS</u>			
Inventories	15	488,821	438,579
Trade and other receivables	16	375,442	374,064
Current tax liabilities	25	26,441	18,536
Taxes receivable	25	32,643	31,198
Financial assets	12	5,067	5,134
Derivative and other financial liabilities	28	3,909	2,392
Other current assets		11,383	10,260
Cash and cash equivalents	17	291,340	211,638
		<u>1,235,046</u>	<u>1,091,801</u>
Non-current assets held for sale		0	0
<u>TOTAL ASSETS</u>		<u>3,645,478</u>	<u>3,403,676</u>
	<u>Note</u>	<u>31/12/2016</u>	<u>31/12/2015</u>
<u>EQUITY</u>		<u>2,106,401</u>	<u>1,992,916</u>
<u>Equity attributable to equity holders of the parent</u>			
Issued capital		92,319	92,319
Share premium		4	4
Restricted parent company reserves		21,633	21,633
Retained earnings		1,820,612	1,738,968
Interim dividends paid		0	0
Translation differences		144,758	113,335
Own shares		0	0
	18	<u>2,079,326</u>	<u>1,966,259</u>
<u>Non-controlling interests</u>		<u>27,075</u>	<u>26,657</u>
<u>NON-CURRENT LIABILITIES</u>			
Deferred income	19	4,749	4,418
Provisions for pensions and similar obligations	20	56,489	45,326
Other provisions	21	18,498	14,256
Financial liabilities	22	495,490	438,811
Other non-financial liabilities	23	0	6
Deferred tax liabilities	25	299,175	281,736
		<u>874,401</u>	<u>784,553</u>
<u>CURRENT LIABILITIES</u>			
Financial liabilities	22	241,960	200,977
Derivative and other financial liabilities	28	1,104	579
Trade and other payables	24	393,896	398,414
Current tax liabilities	25	12,966	11,777
Taxes payable	25	13,733	12,806
Other current liabilities		1,017	1,654
		<u>664,676</u>	<u>626,207</u>
Liabilities associated with non-current assets held for sale		0	0
<u>TOTAL EQUITY AND LIABILITIES</u>		<u>3,645,478</u>	<u>3,403,676</u>

The accompanying notes 1 to 31 are an integral part of the consolidated balance sheet at December 31, 2016.

EBRO FOODS, S.A. GROUP
CONSOLIDATED INCOME STATEMENT FOR THE YEARS
ENDED DECEMBER 31, 2016 AND 2015
THOUSANDS OF EUROS

	<u>Note</u>	<u>2016</u>	<u>2015</u>
Revenue	6	2,459,246	2,461,915
Change in inventories of finished goods and work in progress		16,231	12,419
Own work capitalized		1,097	1,012
Other operating income	8	34,570	18,017
Raw materials and consumables used and other external €	6	(1,314,475)	(1,391,646)
Employee benefits expense	8	(331,443)	(306,304)
Depreciation and amortization	9, 10 & 11	(76,833)	(68,410)
Other operating expenses	8	(523,785)	(484,626)
OPERATING PROFIT		264,608	242,377
Finance income	8	28,746	31,112
Finance costs	8	(36,803)	(43,183)
Impairment of goodwill	14	(183)	(4,213)
Share of profit of associates	13	3,042	3,629
CONSOLIDATED PROFIT/(LOSS) BEFORE TAX		259,410	229,722
Income tax	25	(83,591)	(79,034)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		175,819	150,688
Profit/(loss) after tax for the year from discontinued operations	7	0	0
GROUP PROFIT/(LOSS) FOR THE YEAR		175,819	150,688
Attributable to:			
Equity holders of the parent		169,724	144,846
Non-controlling interests		6,095	5,842
		175,819	150,688
	<u>Note</u>	<u>2016</u>	<u>2015</u>
<u>Earnings per share (euros)</u>	18		
- From continuing operations			
Basic		1.103	0.941
Diluted		1.103	0.941
- From profit for the period			
Basic		1.103	0.941
Diluted		1.103	0.941

The accompanying notes 1 to 31 are an integral part of the consolidated income statement for the year ended December 31, 2016.

EBRO FOODS, S.A. GROUP
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(THOUSANDS OF EUROS)

	Note	2016			2015		
		Gross amount	Tax effect	Net amount	Gross amount	Tax effect	Net amount
1. Profit for the year				175,819			150,688
2. Other income and expense recognized directly in equity:		24,541	1,956	26,497	73,110	111	73,221
2.1 Other comprehensive income to be reclassified to profit or loss in subsequent periods		31,127	105	31,232	73,306	-55	73,251
Gains/(losses) on the measurement of available-for-sale financial assets	12	149	-22	127	183	-55	128
Gains/(losses) on the measurement of available-for-sale financial assets reclassified to profit or loss	12	-509	127	-382	0	0	0
Translation differences	18	31,417	0	31,417	73,123	0	73,123
Translation differences reclassified to profit or loss during the reporting period		70	0	70	0	0	0
2.1 Other comprehensive income not to be reclassified to profit or loss in subsequent periods		-6,586	1,851	-4,735	-196	166	-30
Actuarial gains and losses	20	-6,586	1,851	-4,735	-196	166	-30
1+2 Total income and expense recognized during the year:	18			202,316			223,909
Attributable to:							
Equity holders of the parent	18			196,167			218,055
Non-controlling interests	18			6,149			5,854
				202,316			223,909

The accompanying notes 1 to 31 are an integral part of the consolidated statement of comprehensive income for the year ended December 31, 2016.

EBRO FOODS, S.A. GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
THOUSANDS OF EUROS

Total equity	Non-controlling interests	Equity attributable to equity holders of the parent										
		Total	Issued capital	Share premium	Restricted		Unrestricted reserves		Interim dividend paid	Translation differences	Own shares	
					Reval. reserve	Legal reserve	Retained earnings	Profit for the year				
Balance at December 31, 2014	1,873,805	24,320	1,849,485	92,319	4	3,169	18,464	1,549,569	146,013	0	40,224	-277
- Distribution of prior-year profit	0	0	0	0	0	0	0	146,013	-146,013	0	0	0
- Dividends paid (note 18)	-101,551	0	-101,551	0	0	0	0	-101,551	0	0	0	0
- Sale-purchase of own shares (net)	277	0	277	0	0	0	0	0	0	0	0	277
- Gain/(loss) on own share sales	-7	0	-7	0	0	0	0	-7	0	0	0	0
- Tax effect of above movements	0	0	0	0	0	0	0	0	0	0	0	0
- Transactions with non-controlling interests	-3,517	-3,517	0	0	0	0	0	0	0	0	0	0
Total distribution of profit and transactions with shareholders	-104,798	-3,517	-101,281	0	0	0	0	44,455	-146,013	0	0	277
- Profit for the year (as per income statement)	150,688	5,842	144,846	0	0	0	0	0	144,846	0	0	0
- Change in translation differences	73,123	12	73,111	0	0	0	0	0	0	0	73,111	0
- Translation differences reclassified to profit or l	0	0	0	0	0	0	0	0	0	0	0	0
- Fair value of financial instruments:												
1. Unrealized gains/(losses)	183	0	183	0	0	0	0	183	0	0	0	0
2. Realized gains/(losses)	0	0	0	0	0	0	0	0	0	0	0	0
- Change due to actuarial gains/(losses)	-196	0	-196	0	0	0	0	-196	0	0	0	0
- Tax effect of gains/(losses) recognized in equity	111	0	111	0	0	0	0	111	0	0	0	0
Total income and expense recognized	223,909	5,854	218,055	0	0	0	0	98	144,846	0	73,111	0
Balance at December 31, 2015	1,992,916	26,657	1,966,259	92,319	4	3,169	18,464	1,594,122	144,846	0	113,335	0
- Distribution of prior-year profit	0	0	0	0	0	0	0	144,846	-144,846	0	0	0
- Dividends paid (note 18)	-84,573	-1,487	-83,086	0	0	0	0	-83,086	0	0	0	0
- Sale-purchase of own shares (net)	0	0	0	0	0	0	0	0	0	0	0	0
- Gain/(loss) on own share sales	0	0	0	0	0	0	0	0	0	0	0	0
- Reclassifications within reserves	0	-26	26	0	0	0	0	26	0	0	0	0
- Tax effect of above movements	0	0	0	0	0	0	0	0	0	0	0	0
- Transactions with non-controlling interests	-4,218	-4,218	0	0	0	0	0	0	0	0	0	0
- Other movements in equity	-40	0	-40	0	0	0	0	-40	0	0	0	0
Total distribution of profit and transactions with shareholders	-88,831	-5,731	-83,100	0	0	0	0	61,746	-144,846	0	0	0
- Profit for the year (as per income statement)	175,819	6,095	169,724	0	0	0	0	0	169,724	0	0	0
- Change in translation differences	31,417	64	31,353	0	0	0	0	0	0	0	31,353	0
- Translation differences reclassified to profit or l	70	0	70	0	0	0	0	0	0	0	70	0
- Fair value of financial instruments:												
1. Unrealized gains/(losses)	0	0	0	0	0	0	0	0	0	0	0	0
2. Realized gains/(losses)	-360	0	-360	0	0	0	0	-360	0	0	0	0
- Change due to actuarial gains/(losses)	-6,586	-16	-6,570	0	0	0	0	-6,570	0	0	0	0
- Tax effect of gains/(losses) recognized in equity	1,956	6	1,950	0	0	0	0	1,950	0	0	0	0
Total income and expense recognized	202,316	6,149	196,167	0	0	0	0	-4,980	169,724	0	31,423	0
Balance at December 31, 2016	2,106,401	27,075	2,079,326	92,319	4	3,169	18,464	1,650,888	169,724	0	144,758	0

The accompanying notes 1 to 31 are an integral part of the consolidated statement of changes in equity for the year ended December 31, 2016.

EBRO FOODS, S.A. GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
THOUSANDS OF EUROS

	Note (*)	2016	2015
Receipts from customers		2,569,706	2,654,081
Payments to suppliers and employees		(2,323,550)	(2,344,662)
Interest paid		(6,793)	(6,607)
Interest received		536	279
Dividends received		3,710	2,948
Other operating activity receipts / payments		17,320	12,633
Income tax paid	25	(75,268)	(64,532)
<u>Net cash flows from operating activities</u>	a)	<u>185,661</u>	<u>254,140</u>
Purchase of fixed assets	b)	(107,725)	(81,466)
Proceeds from sale of fixed assets	c)	26,066	8,723
Purchase of financial assets (net of cash acquired)	5	(40,265)	(77,545)
Proceeds from sale of financial assets		20,210	1,718
Other investment activity proceeds / purchases		(3,011)	1,723
<u>Net cash flows used in investing activities</u>		<u>(104,725)</u>	<u>(146,847)</u>
Acquisition of own shares		(544)	(450)
Proceeds from the sale of own shares		39	274
Dividends paid to shareholders (including NCI holders)	d)	(85,676)	(102,657)
Proceeds from borrowings		490,913	203,005
Repayment of borrowings		(411,546)	(197,797)
Other financing activity proceeds / payments and grants		(1,369)	(609)
<u>Net cash flows used in financing activities</u>		<u>(8,183)</u>	<u>(98,234)</u>
Translation differences arising on cash flows from foreign companies		2,129	1,104
<u>Net increase in cash and cash equivalents</u>		<u>74,882</u>	<u>10,163</u>
Cash and cash equivalents, opening balance		211,638	192,279
Effect of year-end exchange rate on opening balance		4,820	9,196
<u>Cash and cash equivalents, closing balance</u>	17	<u>291,340</u>	<u>211,638</u>

The accompanying notes 1 to 31 are an integral part of the consolidated statement of cash flows for the year ended December 31, 2016.

(*) The cross-references to the corresponding notes to the consolidated financial statements are provided for qualitative purposes only; it is not always possible to provide cross-references to the precise amounts reported.

- a) Cash flow from operations declined year-on-year due to a significant increase in the Group's working capital requirement (of around €65 million between 2015 and 2016). Despite the growth in EBITDA derived from the income-statement impact of the widespread improvement in business momentum, certain long positions in the rice business (inventories built up mainly as a result of the change in supply strategy in India, compounded by a timing difference in the rice contracts arranged in Europe between 2015 and 2016) had a significant impact on the current assets requiring financing. This factor, coupled with an increase in corporate income tax payments as a result of the above-mentioned earnings growth, is the main reason for the reduction in cash flow from operations.
- b) This balance, coupled with the 993 thousand euros of differences between the cash outflows and accrual for accounting purposes of the additions to property, plant and equipment and intangible assets, explains the movements in new investments disclosed in notes 9 and 10.

- c) Corresponds to the amounts received from the sale of fixed assets arranged with deferred payments (note 12) and of investment properties (note 11).
- d) This balance is made up of:
 - Dividends paid to shareholders of the Parent in the amount of 83,086 thousand euros.
 - Dividends paid to non-controlling shareholders and holders of stock options (put & call options) in the amount of 2,590 thousand euros.

EBRO FOODS, S.A. GROUP
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DEC. 31, 2016
(THOUSANDS OF EUROS)

1. GROUP INFORMATION

Ebro Foods, S.A., a Spanish public limited company (*sociedad anónima*), hereinafter the Parent or the Company, was created by the merger by absorption of Puleva S.A. into Azucarera Ebro Agrícolas S.A. on January 1, 2001. On the occasion of that transaction, Azucarera Ebro Agrícolas, S.A.'s name was changed to Ebro Puleva, S.A. Later, at the Annual General Meeting of June 1, 2010, its registered name was changed again to its current name: Ebro Foods, S.A.

The Company's current registered office is in Madrid (28046), at Paseo de la Castellana, 20.

The corporate object of its consolidated group (hereinafter, the Ebro Foods Group, the Ebro Group or the Group) is to perform the following business activities in Spanish and foreign markets:

- a) The production, preparation, sale, research, export and import of all manner of food and dietary products for both human and animal consumption, in addition to energy food products, including their by-products and waste, and, in particular, rice, pasta, sauces and all manner of nutritional products.
- b) The production, exploitation and sale of all manner of food, soft and alcoholic beverages.
- c) The use of by-products and the provision of services or products of all types relating to the aforementioned activities, including refrigeration cabinets, ice, industrial gas, steam, cold and energy.
- d) The acquisition, lease, creation, installation, development and management of industrial, farming and livestock facilities in the food, nutrition and beverage (including alcohol) industries.
- e) The performance of projects and installation work and the provision of all manner of technical assistance to other companies in the aforementioned industries; the creation, development, protection and use of patents, trademarks and other assets susceptible to intellectual property protection.
- f) Staff training, computer programming or management, investment and monetization of resources, advertising and image, transport, distribution and sale and marketing activities that are ancillary or complementary to the aforementioned activities.

The activities comprising the Group's corporate object may be carried on through the subscription or acquisition of shares or other equity interests in companies with an identical or similar corporate purpose.

The Group currently operates in Spain and internationally. The revenue breakdown by geographic market is provided with the segment reporting disclosures (note 6).

The 2015 consolidated financial statements were approved at the Annual General Meeting held by Ebro Foods, S.A. on June 1, 2016 and duly filed with Madrid's Companies Register.

EBRO FOODS, S.A. GROUP
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DEC. 31, 2016
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The distribution of the profit of the Parent proposed by the directors of Ebro Foods, S.A. at a meeting of the Board of Directors on December 21, 2016 for submission for ratification at the upcoming Annual General Meeting is as follows:

Amounts relating only to the Parent's separate financial statements	Amount (thousands of euros)
<u>Basis of appropriation</u>	
Unrestricted reserves	633,148
Profit for the year (as per income statement)	<u>13,382</u>
	<u>646,530</u>

The profit generated by the Ebro Foods Group in 2016 makes it possible, as in prior years, to propose the payment of a cash dividend, with a charge against unrestricted reserves and profit for the year, of 0.57 euros per share, payable in the course of 2017, in a total amount of 87,703 thousand euros.

The dividend will be paid out in three equal instalments of 0.19 euros per share on April 3, June 30 and October 2, 2017.

Limitations on the distribution of dividends

Ebro Foods, S.A. is obliged to transfer 10% of profit for the year to a legal reserve until this reserve reaches an amount equal to at least 20% of share capital. This reserve cannot be distributed to shareholders unless it exceeds and only in the amount by which it exceeds this 20% threshold.

Once the legal and bylaw-stipulated requirements have been met, dividends may be distributed against profit for the year or freely distributable reserves so long as the value of equity is not lower than or would not fall below share capital as a result of the distribution. For these purposes, any profit recognized directly in equity may not be distributed either directly or indirectly. If prior-year losses were to reduce the Company's equity to below the amount of share capital, profit would have to be allocated to offset these losses.

2. BASIS OF PREPARATION AND COMPARABILITY OF THE INFORMATION INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements are presented in thousands of euros (unless expressly stated otherwise), the euro being the Ebro Foods Group's functional currency. Transactions performed in other currencies are translated into euros following the accounting policies outlined in note 3.

a) Basis of preparation

1. General accounting policies

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council.

EBRO FOODS, S.A. GROUP
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DEC. 31, 2016
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The consolidated financial statements for the year ended December 31, 2016, which were authorized for issue by the Parent's directors on March 29, 2017, are pending approval by its shareholders at the Annual General Meeting; however, they are expected to be approved without modification. (Similarly, at the reporting date, the 2016 financial statements of Ebro Foods, S.A. and of its subsidiaries and associates had still to be ratified by their respective shareholders at the corresponding Annual General Meetings).

These financial statements have been prepared using the general historical cost measurement basis, except where the occasional IFRS requires performance of the corresponding revaluations.

2. Use of estimates and assumptions

The Parent's directors are responsible for the information included in these consolidated financial statements.

In preparing the accompanying consolidated financial statements, they have relied on occasion on estimates made by the management of the various Group companies in order to measure certain of the assets, liabilities, income, expenses and commitments recognized therein. Essentially, these estimates refer to:

- Measurement of the recoverable amounts of assets and goodwill for impairment testing purposes.
- The assumptions used in the actuarial calculation of pension and similar liabilities and obligations.
- The useful lives of property, plant and equipment and intangible assets.
- The assumptions used to calculate the fair value of financial instruments and put options.
- The probability of occurrence and amount of liabilities of uncertain amounts and/or contingent liabilities.
- The recoverability of deferred tax assets.

Although these estimates were made on the basis of the best information available at the date of authorizing these consolidated financial statements for issue regarding the facts analyzed, future events could make it necessary to revise these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively, recognizing the effects of the changes in estimates in the related consolidated financial statements.

3. Materiality assessment

These consolidated financial statements omit information and disclosures that do not require detailed breakdown on account of their qualitative importance and were not deemed material or relevant in accordance with the materiality or significance concept defined in the IFRS Conceptual Framework, considering the consolidated financial statements of the Ebro Group as a whole.

b) Comparability

For comparative purposes, the Group presents, in addition to the figures for the year ended December 31, 2016, for each item in the consolidated balance sheet, consolidated income statement, consolidated statement of cash flows, consolidated statement of changes in equity, consolidated statement of comprehensive income and notes to the consolidated financial statements, the figures for the year ended December 31, 2015.

As newly-required under article 260 of the Corporate Enterprises Act, the Company discloses in note 8.4 the average number of people employed during the year with a disability of a severity of 33% or higher, noting the corresponding job categories alongside.

The following changes were made to the prior-year figures in order to make them comparable year-on-year:

- Accounting for the impact of the definitive amounts recognized in respect of the Rice Select business combination (a business acquired in the US in June 2015; for further information see the 2015 consolidated financial statements) compared to the provisional amounts recognized at year-end 2015, once the opportune appraisals and analyses had been carried out in order to establish the definitive fair value of the net assets acquired. This accounting process implied the following reclassifications: the amount of intangible assets recognized was decreased by 5,884 thousand euros; the amount of property, plant and equipment was decreased by 9 thousand euros; and the amount of goodwill recognized was increased by 5,893 thousand euros.

c) Changes in the scope of consolidation

Notes 4 and 5 detail the main changes affecting the consolidation scope in 2016 and 2015, outlining the corresponding consequences in terms of accounting methods used.

3. SIGNIFICANT ACCOUNTING POLICIES

The most significant accounting policies applied in the preparation of these consolidated financial statements are set out below:

a) Basis of consolidation

Subsidiaries

All of the companies over which the Group has control are fully consolidated in these financial statements. Control is the power to affect an investee's returns through the ability to direct its relevant activities.

When the Group acquires a business, that business's assets, liabilities and contingent liabilities acquired are measured at their acquisition-date fair values. The difference between the cost of the business combination and the fair value of the net assets acquired is recognized as goodwill if positive and as a gain on a bargain purchase in the income statement if negative. The results of companies acquired during the year are consolidated from the effective date of acquisition.

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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DEC. 31, 2016
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Non-controlling interests are determined at the acquisition date at their percentage interest in the fair value of the acquiree's recognized assets and liabilities or at their proportionate share of the fair value of the acquired business, i.e., including their share of goodwill.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All material intra-group balances relating to transactions between members of the Group are eliminated in full on consolidation.

Associates and joint ventures

The Group's investments in associates (companies over which it has significant interest but not control) and joint ventures are accounted for using the equity method. Under the equity method, an investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of the net assets of the associate or joint venture since the acquisition date, adjusted for impairment charges as necessary. The Group's share of the results of operations of its associates or joint ventures is recognized, net of the related tax effect, in the consolidated income statement or consolidated statement of other comprehensive income, as warranted.

b) Foreign currency translation: results and financial position of foreign operations

The Group companies' separate financial statements are expressed in each company's functional currency.

On consolidation, their assets and liabilities are translated into euros using the year-end exchange rate; income statement items are translated at the average exchange rate for the period; while share capital, share premium and reserve accounts are translated using the historical exchange rate. The exchange differences arising on translation for consolidation purposes of investments in foreign subsidiaries and associates are recognized in equity under "Translation differences".

If there are non-controlling interests in these subsidiaries, the related translation differences are recognized under "Non-controlling interests" within equity.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the reporting date.

On disposal of an investment in a foreign subsidiary or associate, the translation differences relating to that particular foreign operation, deferred in equity until the transaction date, are recognized in profit or loss.

c) Foreign currency translation: transactions and balances

Each Group company translates its transactions in foreign currencies to its respective functional currency using the rate prevailing on the transaction date. Differences arising on settlement of these transactions or translation of monetary assets and liabilities denominated in currencies other than each Group company's functional currency are recognized in profit or loss.

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d) Cash and cash equivalents

Cash and cash equivalents are mainly certificates of deposit, short-term deposits, short-term marketable securities, short-term government bonds and other money market assets with a maturity of three months or less, and bank deposits with a maturity of more than three months from the date of acquisition but immediately drawable without incurring any kind of penalty. These assets are valued at cost, which is deemed a fair approximation of their realizable amount.

e) Property, plant and equipment and investment properties

Items of property, plant and equipment and investment properties are stated at the lower of:

- Acquisition (or production) cost, net of accumulated depreciation and accumulated impairment losses, if any.
- Their recoverable amount, i.e. the amount that will be recovered via the cash-generating units to which they belong or via their sale, capital appreciation or a combination of the two.

For items of property, plant and equipment and investment properties acquired in business combinations, acquisition cost equates to their fair value on the date that the Group obtained control, determined using appraisals carried out by independent experts, as detailed in section a) above.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is its carrying amount on the date of the change in use.

If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the reporting period in which they are derecognized.

In the event that management detects indications that these assets may be impaired, the corresponding impairment losses are recognized.

Borrowing costs directly attributable to the construction of a qualifying asset are capitalized as part of the cost of the asset until such assets are commissioned. Extension, upgrade or improvement costs that represent an increase in productivity, capacity or efficiency or an extension in the useful life of assets are capitalized as an increase in the cost of the corresponding assets. Upkeep and maintenance costs are expensed in the year they are incurred.

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Items of property, plant and equipment are depreciated on a straight-line basis over their respective useful lives, taking into consideration actual depreciation sustained through operation, usage and wear and tear, as follows: The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year-end.

Depreciation rates	
Buildings and other structures	1.0% to 3.0%
Plant and machinery	2.0% to 20%
Other fixtures, tools and furniture	8.0% to 25%
Other items of PP&E	5.5% to 25%

Assets acquired under finance lease agreements, i.e., when the Group assumes substantially all the risks and rewards incidental to ownership, are capitalized, recognizing the present value of the total lease liability in tandem. Lease payments are apportioned between finance charges and principal (reduction of the lease liability) so as to achieve a constant rate of interest on the remaining balance of the liability. Leased assets are depreciated on a straight-line basis over the useful life of the assets, using the rates shown above. Operating lease payments are recognized as an operating expense in the income statement on a straight-line basis over the lease term.

f) Intangible assets (excluding goodwill and greenhouse gas emission allowances)

Intangible assets are recognized at their acquisition or production cost, which is reviewed continually and written down for impairment, as warranted, as described in note 3.h) below. Intangible assets with finite lives are amortized; their residual values, amortization periods and amortization methods are reviewed annually. The assets included under this heading are the following:

- Development costs: The costs incurred on specific projects for the development of new projects for sale or internal use that are reasonably certain to be recovered are capitalized and amortized on a straight-line basis over the period of expected future benefit from its date of completion.

Recovery is regarded reasonably assured when it is considered technically feasible and the Group has the ability and intention to complete the asset and use it or sell it and it is expected to generate future economic benefits.

- Trademarks, patents and licenses: Capitalized development expenditure is recognized under this heading when the corresponding patent or similar protection is obtained. This heading also includes new trademarks or brand names acquired from third parties (recognized at their acquisition cost) and those acquired in business combinations (recognized at their fair value on the date control is obtained). Based on an analysis of all the relevant factors, the Group has determined that there is no foreseeable limit to the period of time for which its most significant trademarks will generate cash inflows for the Group, which is why it has classified them as intangible assets with indefinite useful lives. Nevertheless, it reviews its trademarks' indefinite useful life assessment every year.

Those that are amortized are amortized over their estimated useful life, which varies between 10 and 20 years.

- Computer software: Computer software includes the amounts paid for title to or the right to use computer programs and the costs incurred to develop software in-house, only to the extent that the software is expected to be used over several years. Software is amortized on a straight-line basis over its useful life, which is usually around three years.

Software maintenance expenses are expensed in the year incurred.

g) Goodwill

Goodwill is the excess of the consideration transferred in exchange for control of a business and the acquisition-date fair value of the share of the net assets acquired, including the portion attributable to non-controlling interests, as detailed above. Goodwill in respect of investments in associates is recognized in the consolidated balance sheet within 'Investments in associates', while any corresponding impairment losses are recognized under 'Share of profit of associates' in the consolidated income statement.

When the price of a business combination includes contingent consideration, the acquisition price includes the present value of such contingent consideration.

Goodwill is not amortized but is tested for impairment annually. Any impairment of goodwill indicated by such tests is recognized immediately in profit or loss and cannot be reversed in subsequent years.

Similarly, gains from a bargain purchase are recognized in the consolidated income statement once the Group has confirmed the fair value of the net assets acquired.

Whenever the Group disposes of a subsidiary or associate to which goodwill has been allocated, the amount of such goodwill is included in the carrying amount in order to determine the gain or loss on disposal.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill derecognized under these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

h) Impairment of non-financial assets

The Group tests its assets for impairment every year.

If its impairment tests indicate that that an asset's recoverable amount is less than its carrying amount, the asset is written down to its recoverable amount by recognizing use, the estimated future cash flows are discounted to their present value using an appropriate discount rate.

If an asset being tested for impairment does not generate cash inflows that are largely independent of those from other assets or groups of assets, the impairment test is performed in respect of the group of assets to which it belongs (cash-generating unit or CGU).

The recoverable value of intangible assets with indefinite useful lives is reassessed annually (annual impairment test) or whenever there are indications that such assets may be impaired. The reversal of an asset impairment loss is recognized in the consolidated income statement.

i) Non-current assets held for sale and discontinued operations

Non-current assets classified as held for sale and discontinued operations are measured at the lower of their acquisition cost and fair value less costs of disposal.

Assets are classified into this category when their carrying amount is expected to be realized through a sale transaction, rather than through continuing use, the asset is available for immediate sale in its present condition and the sale is expected to qualify for recognition as a completed sale within one year.

j) Financial assets

Financial assets are recognized (and derecognized) on the effective transaction or trade date; they are initially recognized at fair value, which generally coincides with their acquisition cost, adjusted for transaction costs as warranted.

- Investments

Investments are classified as:

- Held-to-maturity financial assets: those with fixed or determinable payments and fixed maturity. The Group must have the positive intention and ability to hold these assets to maturity. This heading primarily includes deposits and guarantees. After initial recognition they are measured at amortized cost.
- Financial assets at fair value through profit or loss: assets held for trading, i.e., with the objective of generating a profit from short-term fluctuations in price or dealer's margin. After initial recognition they are measured at fair value to the extent this can be determined reliably. Net changes in these assets' fair value are presented in the consolidated income statement.

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- Available-for-sale financial assets: this category includes debt securities and equity instruments issued by other companies that have not been classified in any of the preceding categories. These assets are measured as follows:

Either: At fair value, when this can be determined reliably by means of its quoted price, recent benchmark transaction prices or the present value of its discounted cash flows.

Unrealized fair value gains or losses are recognized in equity until the investment is derecognized, at which time the cumulative gain or loss recognized equity is reclassified to profit or loss.

If fair value is less than acquisition cost and there is objective evidence that the asset has become impaired and this impairment is not considered temporary, the difference is recognized directly in the consolidated income statement.

Or: In the event of unlisted securities, whose fair value cannot always be determined reliably, these assets are measured at their acquisition cost, less any impairment losses.

No financial assets were reclassified between the above financial asset categories in either 2016 or 2015.

- Other loans and credit

Non-trade loans and credit, whether current or non-current, are recognized at the amounts granted (amortized cost). The interest collected on these loans is accrued as interest income using the effective interest rate method.

Current non-trade loans are not usually discounted to their present value.

k) Trade and other receivables

Trade and other receivables are recognized at their face value, which coincides with their amortized cost. Impairment losses are estimated and recognized to provide for the risk of non-payment.

The balance corresponding to discounted bills is recognized through maturity under both trade and other receivables and bank borrowings (current financial liabilities).

l) Inventories

Inventories are measured at their weighted average acquisition or production cost.

The acquisition price includes the amount stated on the invoice plus all additional costs incurred until the goods are stored in the warehouse.

Production cost is determined by adding to the cost of acquiring raw materials and other consumables, manufacturing costs directly attributable to the product and the corresponding portion of indirect costs attributable to the product in question, to the extent such costs are incurred during the manufacturing period. If the selling price less estimated costs of completion and the estimated costs necessary to make the sale are less than the costs indicated above, the inventories are written down for impairment.

m) Deferred income - Grants

The grants received by the Group are accounted for as follows:

- a. Non-repayable grants related to assets: grants are measured at the amount awarded and reclassified to profit and loss on a straight-line basis over a period of 10 years, which is roughly equivalent to the average period during which the assets financed by such grants are depreciated. They are presented on the liability side of the consolidated balance sheet.
- b. Grants related to income: when a grant relates to an item of expense, it is recognized as income in the period that the costs it is intended to compensate are expensed.

n) Pension commitments and similar obligations

The Group manages several defined benefit and defined contribution pension plans. The cost of providing benefits under defined benefit plans is determined using the projected unit credit method.

The defined benefit commitment is calculated by independent actuarial experts annually for the most significant plans and regularly for the rest. The actuarial assumptions used to calculate the Group's obligations depend on each country's economic situation.

The various funds may be funded through an external fund or through internal provisions.

For defined benefit plans funded externally, any deficit in the fair value of the plan assets with respect to the present value of the obligation as a result of actuarial gains or losses is recognized directly in equity net of the related tax effect, and any changes in past service costs are recognized in profit or loss. A gain is only recognized in the consolidated balance sheet in respect of a surplus to the extent that it represents a future economic benefit, in the form of refunds from the plan or a reduction in future contributions.

Actuarial gains and losses arise mainly as a result of changes in actuarial assumptions or differences between estimated and actual variables.

In the case of defined benefit plans, the actuarial cost charged to the consolidated income statement is the sum of the current service cost, interest cost, the expected return on any plan assets and the past service cost, while any material actuarial gains and losses are recognized directly in retained earnings within equity.

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Contributions to defined contribution plans are charged to the consolidated income statement when they are made.

Pursuant to the prevailing collective bargaining agreement and other non-binding agreements, Ebro Foods, S.A. (mainly) is obliged to pay bonuses for long service to certain of its permanent employees upon retirement at the legally-stipulated age or early retirement.

In accordance with the prevailing collective bargaining agreements and other non-binding agreements, the Riviana and the NWP subgroups and certain European Group companies (mainly) are obliged to make annual supplementary payments of various kinds and other bonuses for long service and retirement, where applicable, to certain of their permanent employees upon retirement at the legally-stipulated age or early retirement.

The provision recognized represents the present value, calculated by means of actuarial studies, most of which performed by independent experts, of the future payment obligations of the companies concerned to their former and current employees in connection with the aforementioned retirement bonus obligations, net of the present value of the financial assets in which the related funds are invested. These plans are managed independently by a Management Committee made up of employees, executives and third parties.

In addition, certain Group companies grant their employees certain voluntary retirement bonuses of undetermined amount. These bonuses, which are scanty material, are recognized as an expense when they are paid. The other Group companies do not have similar obligations or have obligations that are scanty material.

o) Other provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

They are measured at the year-end estimate of the amounts (at their present value) that will be required to discharge probable or certain liabilities arising as a result of lawsuits or other outstanding obligations.

If an outflow of resources is considered possible but not probable, the Group does not recognize a provision but discloses the nature of said contingent liability in the notes to the annual financial statements.

Restructuring provisions are recognized only when the Group has a constructive obligation, which is deemed to exist when a detailed formal plan identifies the business concerned, the locations affected, the function and number of employees who will be compensated for terminating their services, a detailed estimate of the associated costs, and when it will be implemented, and a valid expectation has been raised among those affected that the restructuring will be carried out because the plan has started to be implemented or because the main features of the plan have been announced to those affected by it. These provisions are estimated on the basis of their economic substance and not just their legal form.

p) Financial liabilities - loans and borrowings

Loans and borrowings are classified by maturity: those maturing within less than twelve months from the reporting date are classified as current liabilities and those maturing within more than twelve months are classified as non-current liabilities.

All loans and borrowings are initially recognized at their original cost less associated arrangement costs. Subsequent to initial recognition they are measured at amortized cost. The interest generated by borrowings and all associated costs are recognized in the consolidated income statement using the effective interest rate method.

q) Income tax

Current tax expense is recognized in the consolidated statement of profit or loss, except for current income tax relating to items recognized directly in equity, the tax effect of which is recognized in equity.

Deferred tax is provided using the liability method. Under this method, deferred tax assets and liabilities are recognized on the basis of the temporary differences between the carrying amounts of the assets or liabilities and their tax bases and are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities that arise from items recognized in equity are directly credited to or charged against equity. Deferred tax assets and unused tax credits are recognized to the extent that it is probable that sufficient taxable profit will be available to allow the benefit to be utilized and they are written down if this expectation changes. Deferred tax liabilities associated with investments in subsidiaries and associates are not recognized unless the Parent has the power to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

r) Derivative financial instruments

The Group uses certain financial derivatives to manage its exposure to movements in exchange and interest rates. All of these derivatives are measured at fair value, regardless of whether or not they are designated as hedges, their fair value being their market value in the case of listed instruments and valuations based on option valuation models or discounted cash flow analysis in the case of unlisted instruments. The following criteria are used for recognition purposes:

- Cash flow hedges: the gains and losses derived from the restatement to fair value at the reporting date of derivatives designated as hedges, to the extent effective, are recognized directly in equity (net of tax) until the committed or forecast transaction is realized, at which point they are reclassified to profit or loss.
Gains and losses on ineffective hedges are recognized directly in profit or loss.

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- Hedges of a net investment in a foreign operation: the gains and losses derived from the measurement at fair value of these investments in respect of the portion of the hedge deemed effective are recognized, net of tax, directly in equity under 'Translation differences' and are reclassified to profit or loss when the hedged investment is disposed of. Gains and losses on ineffective hedges are recognized directly in profit or loss.
- Accounting treatment for financial derivatives not designated as hedges or not qualifying for hedge accounting: the gains and losses arising from the restatement to fair value of these financial instruments are recognized directly in the consolidated income statement.

s) Revenue recognition

Revenue and expenses are recognized on an accrual basis. Revenue is the gross inflow of economic benefits during the period arising in the course of the Group's ordinary activities insofar as those inflows result in increases in equity, other than increases relating to contributions from equity participants, and the benefits can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable.

Revenue from services is only recognized when the outcome of a transaction involving the rendering of services can be estimated reliably and is recognized by reference to the stage of completion of the transaction at the end of the reporting period.

Revenue includes only the gross inflows of economic benefits received and receivable by the Group on its own account; amounts collected on behalf of third parties, such as in an agency relationship, are not recognized as revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction which generates revenue.

The Group recognizes non-financial asset purchase or sale agreements settled at the net amount in cash or through some other financial instrument at their net amount. Agreements entered into and held for the purpose of receiving or delivering such non-financial assets are recognized in accordance with the contractual terms of the purchase, sale or expected usage requirements.

Interest income is recognized using the effective interest method, by reference to the principal outstanding and the applicable effective interest rate.

t) Environmental disclosures

Expenditure incurred under initiatives taken or that have to be undertaken to manage the environmental effects of the Group's business operations and that deriving from environmental commitments are considered environmental expenses.

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Capitalized assets acquired or produced by the Group for the purpose of long-lasting use in its business operations whose main purpose is to minimize environmental damages and/or enhance environmental protection, including assets intended to make the Group's operations less contaminating, are considered environmental assets. These assets are accounted for using the same criteria as items of property, plant and equipment.

u) Greenhouse gas emission allowances

The Group recognizes its greenhouse gas emission allowances as intangible assets with an infinite useful life. Allowances received for free under the various national allocation plans are measured at their fair value at the time of receipt and a deferred income balance is recognized in the same amount.

Since 2013 the Group is no longer obliged to meet allowance requirements and will therefore not be allocated additional free allowances.

v) Own shares

Own equity instruments that are reacquired (own shares or treasury shares) are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

w) New and amended standards and interpretations

The measurement standards (accounting policies) applied in preparing the accompanying consolidated financial statements are consistent with those used to prepare the 2015 consolidated financial statements with the exception of the following new and amended standards and interpretations:

1) Standards, amendments and interpretations adopted by the European Union for application in annual periods beginning on or after January 1, 2016:

New or amended standard or interpretation	Date of application by the EU
Amendments to IAS 19 <i>Defined contribution plans: employee contributions</i>	February 1, 2015.
Annual Improvements to IFRS, 2010-2012 Cycle	February 1, 2015.
Amendments to IAS 16 and IAS 38 <i>Acceptable methods of depreciation and amortization</i>	January 1, 2016.
Amendments to IFRS 11 <i>Accounting for acquisitions of interests in joint operations</i>	January 1, 2016.
Amendments to IAS 16 and IAS 41 <i>Agriculture: Bearer plants</i>	January 1, 2016.
Annual Improvements to IFRS, 2012-2014 Cycle	January 1, 2016.
Amendments to IAS 1 <i>Disclosure initiative</i>	January 1, 2016.
Amendments to IFRS 10, IFRS 12 and IAS 28 <i>Investment entities: Applying the consolidation exception</i>	January 1, 2016.

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These amendments have not had a material impact on the accompanying consolidated financial statements.

2) Standards and interpretations issued by the IASB not yet applicable in the current reporting period:

The Group intends to apply the following new standards, interpretations and amended standards issued by the IASB whose application is not mandatory in the European Union as at the date of issuing the accompanying consolidated financial statements when they are effective, to the extent applicable to the Group.

New or amended standards and interpretations	Date of adoption by the EU	Date of application in the EU
IFRS 9 <i>Financial instruments</i>	September 2016	January 1, 2018.
IFRS 14 <i>Regulatory deferral accounts</i>	Pending	Pending
IFRS 15 <i>Revenue from contracts with customers</i>	November 2016	January 1, 2018.
IFRS 16 <i>Leases</i>	Pending	Pending
IFRIC 22 <i>Foreign currency transactions and advanced consideration</i>	Pending	Pending
Annual Improvements to IFRS, 2014-2016 Cycle	Pending	Pending
Amendments to IAS 7 <i>Statement of cash flows: Disclosure initiative</i>	Pending	Pending
Amendments to IAS 12 <i>Recognition of deferred tax assets for unrealized losses</i>	Pending	Pending
Amendments to IAS 40 <i>Transfers of investment property</i>	Pending	Pending
Amendments to IFRS 10 and IAS 28 <i>Sales or contributions of assets between an investor and its associate/joint venture</i>	Pending	Pending
Amendments to IFRS 15 <i>Amendments to the new revenue standard</i>	Pending	Pending

Although the Group is still in the process of analyzing their impact, based on the analysis performed to date, it estimates that their first-time application will not have an impact on its consolidated financial statements. However, the following standards are expected to imply certain impacts, albeit without materially changing the consolidated financial statements:

- IFRS 15 *Revenue from contracts with customers*

IFRS 15 was published in May 2014 and establishes a new five-step model applicable to the recognition of revenue from contracts with customers. Under IFRS 15, revenue must be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer.

This standard repeals all prior revenue recognition related standards. IFRS 15 must be adopted using either a fully or modified retrospective approach. The standard is mandatorily effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required date of effectiveness. In 2016, the Group conducted a preliminary assessment of the impact of application of IFRS 15; this assessment is subject to change in the wake of the more detailed analysis underway. In parallel, the Group is factoring in the IFRS 15 clarification and amendments issued by the IASB in April 2016 and will keep an eye on any other relevant developments.

- IFRS 16 Leases

IFRS 16 was issued in January 2016. It replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an arrangement contains a lease*, SIC-15 *Operating leases - Incentives* and SIC-27 *Evaluating the substance of transaction in the legal form of a lease*. IFRS 16 establishes the rules for recognizing, measuring and presenting leases and the related disclosure requirements. It requires that all leases be accounting for using a single balance sheet model similar to that prescribed for finance leases under IAS 17. The new standard provides two lease recognition exceptions for lessees: (i) leases of low-value assets (e.g., personal computers); and (ii) short-term leases (i.e., leases with a term of 12 months or less). On the lease inception date, the lessor has to recognize a liability for the payments to be made under the lease (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees must recognize the interest corresponding to the lease liability and the expense associated with amortization of the right of use separately.

Lessees are also obliged to reassess the lease liability if certain events occur (such as a change in the lease term, a change in future lease payments or a change in the index or rate used to determine those payments). The amount of any such restatements will generally be recognized by the lessee by adjusting the right-of-use asset.

Lease accounting by lessors under IFRS 16 is not substantially different from the model currently prescribed under IAS 17. Lessors will continue to classify their leases using the same classification criteria as in IAS 17 and will recognize two classes of lease: operating and finance leases.

IFRS also requires lessees and lessors to provide more extensive disclosures than under IAS 17.

IFRS 16 is effective in annual periods beginning on or after January 1 2019. Lessees may choose between a full or modified retrospective transition approach. The standard provides certain transition relief.

The Group is planning to evaluate the potential impact of IFRS 16 on its consolidated financial statements in the course of 2017.

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4. SUBSIDIARIES AND ASSOCIATES

Ebro Foods, S.A. has the following direct and indirect investments in subsidiaries and associates:

SUBSIDIARIES AND ASSOCIATES	Ownership interest		Parent company		Registered office	Business activity
	YE 2016	YE 2015	YE 2016	YE 2015		
Dosbio 2010, S.L.	100.0%	100.0%	EF	EF	Madrid (Spain)	Flour production
Fincas e Inversiones Ebro, S.A.	100.0%	100.0%	EF	EF	Madrid (Spain)	Agricultural holding
Arotz Foods, S.A.	100.0%	100.0%	EF	EF	Madrid (Spain)	Production of canned vegetables
Jiloca Industrial, S.A.	100.0%	100.0%	EF	EF	Teruel (Spain)	Production of organic fertilizer
Beira Terrace, Ltda.	100.0%	100.0%	EF	EF	Porto (Portugal)	Real estate (dormant)
Riviana Foods Inc. (Group) (Riviana)	100.0%	100.0%	EF	EF	Houston, Texas (USA)	Production and sale of rice
Panzani, SAS (Group) (Panzani)	100.0%	100.0%	EF	EF	Lyon (France)	Production and sale of pasta and sauces
New World Pasta Comp. (Group) (NWP)	100.0%	100.0%	EF	EF	Harrisburg (USA)	Production and sale of pasta and sauces
Ebro Germany, GmbH. (Group) (EFG)	100.0%	100.0%	EF/Boost	EF/Boost	Hamburg (Germany)	Holdco
Ebro Alimentación México, S.A.	100.0%	100.0%	EF	EF	Mexico	Sale and marketing of rice
Networks Meal Solutions, S.A. (NMS)	100.0%	100.0%	EF	EF	Madrid (Spain)	Dormant
JJ. Software de Medicina, S.A. (A)	26.8%	26.8%	NMS	NMS	Madrid (Spain)	Dormant
Fundación Ebro Foods	100.0%	100.0%	EF	EF	Madrid (Spain)	Foundation
Ebro Financial Corporate Services, S.L.	100.0%	100.0%	EF	EF	Madrid (Spain)	Insurance and finance
Herba Foods S.L. (HF)	100.0%	100.0%	EF	EF	Madrid (Spain)	Investment management
Herba Ricemills S.L. (HR)	100.0%	100.0%	EF	EF	Madrid (Spain)	Production and sale of rice
Herba Nutrición S.L. (HN)	100.0%	100.0%	EF	EF	Madrid (Spain)	Production and sale of rice
Semola, S.r.l. (SEM)	100.0%	100.0%	EF	EF	Naples (Italy)	Investment management
Riso Scotti, S.p.a. (Group) (A)	40.0%	25.0%	EF	EF	Milan (Italy)	Production and sale of rice
Santa Rita Harinas, S.L. (B)	52.0%	-	EF	-	Guadalajara (Spain)	Production and sale of flour
Fallera Nutrición, S. L.	100.0%	100.0%	HN	HN	Valencia (Spain)	Production and sale of rice
Herba Germany, GmbH	100.0%	100.0%	EFG	EFG	Hamburg (Germany)	Trademark holdco
Euryza, GmbH.	100.0%	100.0%	EFG	EFG	Hamburg (Germany)	Sale and marketing of rice
T.A.G. Nahrungsmittel GmbH.	100.0%	100.0%	EFG	EFG	Stuttgart (Germany)	Dormant
Bertolini Import Export GmbH.	100.0%	100.0%	EFG	EFG	Mannheim (Germany)	Dormant
Ebro Frost, GmbH (E Frost)	55.0%	55.0%	HF	HF	Munich (Germany)	Investment management
Danrice A.S.	100.0%	100.0%	Efrost	Efrost	Orbaek (Denmark)	Production and sale of rice and pasta
Keck Spezializaten, GmbH.	100.0%	100.0%	Efrost	Efrost	Munich (Germany)	Production and sale of rice and pasta
Ebro Frost UK, Ltd.	100.0%	100.0%	Efrost	Efrost	London (UK)	Production and sale of rice and pasta
Ebro Frost ENA, Inc.	100.0%	-	Efrost	-	Houston (USA)	Under process of being incorporated
S&B Herba Foods, Ltda. (Group)	100.0%	100.0%	HF/R. Int.	HF/R. Int.	London (UK)	Production and sale of rice
Riceland Magyarorszag, KFT.	100.0%	100.0%	HF/EF	HF/EF	Budapest (Hungary)	Sale and marketing of rice
Boost Nutrition C.V. (Boost)	100.0%	100.0%	HF / NC	HF / NC	Merksem (Belgium)	Production and sale of rice
Mundi Riso S.R.L.	100.0%	100.0%	HF	HF	Vercelli (Italy)	Production and sale of rice
Herba Hellas, S.A.	-	75.0%	-	HF	Tesalonica (Greece)	Liquidated in 2016
Mundi Riz, S.A. (MR)	100.0%	100.0%	HF	HF	Larache (Morocco)	Production and sale of rice
Agromeruan, S.A.	100.0%	100.0%	MR	MR	Larache (Morocco)	Farmland concessionaire
Rivera del Arroz, S.A.	100.0%	100.0%	MR	MR	Larache (Morocco)	Rice farming
Katania Magrheb, S.A.R.L	100.0%	100.0%	MR	MR	Larache (Morocco)	Sale and marketing of rice
Arrozeiras Mundiarroz, S.A.	100.0%	100.0%	HF	HF	Lisbon (Portugal)	Production and sale of rice
Josep Heap Properties, Ltda.	100.0%	100.0%	HF	HF	Liverpool (UK)	Investment management
Risella OY	100.0%	100.0%	HF	HF	Helsinki (Finland)	Sale and marketing of rice
Bosto Poland, S.L.	100.0%	100.0%	HF	HF	Warsaw (Poland)	Sale and marketing of rice
Herba Bangkok, S.L. (Group) (HB)	100.0%	100.0%	HF	HF	Bangkok (Thailand)	Production and sale of rice
Herba Cambodia CO, Ltd	100.0%	-	HB	-	Cambodia	Sale and marketing of rice
Herba Egipto Rice Mills, S.A.E.	100.0%	100.0%	HF	HF	Cairo (Egypt)	Production and sale of rice
Herba de Puerto Rico, LLC.	-	100.0%	-	HF	San Juan (Puerto Rico)	Sold in 2016
Herba Ricemills Rom, SRL	100.0%	100.0%	HF	HF	Romania	Sale and marketing of rice
Herba Rice India, Private Limited	-	100.0%	-	HF	New Delhi (India)	Liquidated in 2016
Ebro India, Ltda.	100.0%	100.0%	HF	HF	New Delhi (India)	Production and sale of rice
Ebrosur, S.R.L.	100.0%	-	HF	-	Argentina	Sale and marketing of rice

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TBA Suntra UK, Ltd. (B)	75.5%	100.0%	HF	HF/EFN	Goole (UK)	Production and sale of rice
Ebro Rice Handling, S.A. (formerly Bosto P.B, S.A.)	100.0%	100.0%	HF	post/Panza	Merksem (Belgium)	Logistics
Ebro Foods Netherland, B.V. (EFN)	100.0%	100.0%	HF	HF	Amsterdam (Netherlands)	Investment management
Lassie Netherland, B.V.	100.0%	100.0%	EFN	EFN	Amsterdam (Netherlands)	Production and sale of rice
Lassie, B.V.	100.0%	100.0%	EFN	EFN	Amsterdam (Netherlands)	Industrial operations
Lassie Property, B.V.	100.0%	100.0%	EFN	EFN	Amsterdam (Netherlands)	Industrial operations
Herba Ingredients, B.V. (Grupo) (HI) (B)	80.0%	100.0%	EFN/HF	EFN	Amsterdam (Netherlands)	Holdco and sale of rice
Mediterranean Foods Label, B.V.	100.0%	100.0%	EFN	EFN	Amsterdam (Netherlands)	Production and sale of rice
Nuratri, S.L.	100.0%	100.0%	HR	HR	Madrid (Spain)	Sale and marketing of rice
Nutramas, S.L.	100.0%	100.0%	HR	HR	Madrid (Spain)	Sale and marketing of rice
Nutrial, S.L.	100.0%	100.0%	HR	HR	Madrid (Spain)	Sale and marketing of rice
Pronatur, S.L.	100.0%	100.0%	HR	HR	Madrid (Spain)	Sale and marketing of rice
Vitasan, S.L.	100.0%	100.0%	HR	HR	Madrid (Spain)	Sale and marketing of rice
Yofres, S.A.	100.0%	100.0%	HR	HR	Seville (Spain)	Sale and marketing of rice
Herba Trading, S.A.	100.0%	100.0%	HR	HR	Seville (Spain)	Sale and marketing of rice
Formalac, S.L.	100.0%	100.0%	HR	HR	Seville (Spain)	Sale and marketing of rice
Eurodairy, S.L.	100.0%	100.0%	HR	HR	Seville (Spain)	Sale and marketing of rice
Española de I+D, S.A.	100.0%	60.0%	HR	HR	Valencia (Spain)	New product development and commercialization
American Rice, Inc. (ARI)	100.0%	100.0%	Riviana	Riviana	Houston (USA)	Production and sale of rice
Riviana International Inc. (R. Int.)	100.0%	100.0%	Riviana	Riviana	Houston (USA)	Investment management
Ebro Riviana de Guatemala, S.A.	100.0%	100.0%	R. Int.	R. Int.	Guatemala	Investment management
Ebro de Costa Rica, S. A.	100.0%	100.0%	R. Int.	R. Int.	San José (Costa Rica)	Investment management
R&R Partnership (A)	50.0%	50.0%	Riviana	Riviana	Houston (USA)	Production and sale of rice
N&C Boost N.V. (N.C. Boost)	100.0%	100.0%	R. Int.	R. Int.	Antwerp (Belgium)	Investment management
Les Traiteurs Lyonnais	99.8%	99.8%	Panzani	Panzani	Lyon (France)	Investment management
Lustucru Riz	99.9%	99.9%	LTL	LTL	Lyon (France)	In liquidation
Lustucru Frais	100.0%	100.0%	LTL	LTL	Lyon (France)	Production and sale of food
Roland Monterrat, SAS	100.0%	100.0%	LTL	LTL	Lyon (France)	Production and sale of flour and semolina
Alimentation Sante (AS)	100.0%	-	Panzani	-	Lyon (France)	Investment management
Celnat, S.A.	100.0%	-	AS	-	Lyon (France)	Production and sale of food
<u>Panzani Developpment, S.A.</u>	100.0%	-	Panzani	-	Lyon (France)	Investment management
S.F.C. Silo de la Madrague, SAS	100.0%	100.0%	Panzani	Panzani	Lyon (France)	Industrial operations
S.F.C. d'Investissements, SAS	100.0%	100.0%	Panzani	Panzani	Marseilles (France)	Industrial operations
TBA Suntra Beheer, B.V. (Group)	100.0%	100.0%	HI	HI	Netherlands and Belgium	Production and sale of rice
Herba Ingredients, BVBA	100.0%	100.0%	HI	HI	Belgium	Industrial operations
Herba Ingredients Belgium B, BVBA	100.0%	-	HI	-	Belgium	Industrial operations
Herba Ingredients Belgium C, BVBA	100.0%	100.0%	HI	HI	Belgium	Industrial operations
Herba Ingredients Netherlands, BV	100.0%	100.0%	HI	HI	Netherlands	Industrial operations
Euro Rice Flour, BV	100.0%	100.0%	HI	HI	Netherlands	Dormant
Pastificio Lucio Garofalo, Spa. (GAROF) (B)	52.0%	52.0%	SEM	SEM	Naples (Italy)	Production and sale of pasta
Garofalo Nordic, AB.	100.0%	100.0%	GAROF	GAROF	Sweden	Sale and marketing of pasta
Garofalo USA, Inc.	100.0%	100.0%	GAROF	GAROF	New York (USA)	Sale and marketing of pasta
Garleb, SAL.	70.0%	70.0%	GAROF	GAROF	Lebanon	Sale and marketing of pasta
Mani e Materia, Srl.	-	50.0%	-	GAROF	Naples (Italy)	Merged into Garofalo in 2016
Cately Corp. (Ronzone)	100.0%	100.0%	NWP	NWP	Montreal (Canada)	Production and sale of pasta and sauces
Garofalo France, S.A.	100.0%	100.0%	Garof/Panza	Garof/Panza	Lyon (France)	Sale and marketing of pasta and sauces

(A) Associates consolidated using the equity method

(B) Companies fully consolidated due to the existence of a commitment to acquire the rest of these investees' equity (for a description of these commitments, go to note 26).

None of the subsidiaries or associates is publicly traded. The financial statements of all of the companies consolidated by the Group correspond to the same financial year-end, namely December 31, 2016 and 2015.

5. SIGNIFICANT TRANSACTIONS (BUSINESS COMBINATIONS, DISPOSALS, ETC.) CLOSED IN 2016 AND 2015 AND IMPACT ON COMPARABILITY

5.1 Business combinations of entities under common control in 2016

In 2016, wholly-owned Group subsidiary Boost Nutrition, CV de-merged its ingredients business into a new company called Herba Ingredients Belgium B, BVBA, which was contributed to a different Group subsidiary, Herba Ingredients, BV.

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5.2 Business combinations of entities under common control in 2015

There were no significant business combinations of entities under common control in 2015.

5.3 Third-party business combinations undertaken in 2016 and 2015 and impact on comparability. Changes in consolidation scope:

The most significant changes in the Group's consolidation scope in 2016 are outlined below:

Companies added to the consolidation scope in 2016:			
Company affected	Subgroup	%	Comments
Celnat, S.A.	Pasta	100%	Outright acquisition of this business
Santa Rita Harinas, S.L.	Other	52%	Acquisition of 52% of this business
Ebro Frost, ENA, Inc.	Rice	100%	Incorporation of this company
Herba Cambodia, CO. Ltda.	Rice	100%	Incorporation of this company
Herba Ingredients Belgium B, BVBA.	Rice	100%	Incorporation of this company
Ebro Sur, S.r.l.	Rice	100%	Incorporation of this company
Alimentation Santé, SAS.	Pasta	100%	Incorporation of this company
Panzani Development, S.A.	Pasta	100%	Incorporation of this company

Companies removed from the consolidation scope and decreases in shareholdings in 2016:			
Company affected	Subgroup	%	Comments
Herba Hellas, S.A.	Rice	100%	Dissolution of this company
Herba Rice India, Private Limited	Rice	100%	Dissolution of this company
Herba de Puerto Rico, LLC.	Rice	100%	Sale of 100% of this business
Mani e Materia, S.r.l.	Pasta	50%	Liquidation of this company

Acquisition of Celnat, S.A. (France)

The Ebro Group, through its subsidiary Alimentation Sante, SAS (100%-owned by Panzani, SAS), acquired 100% of France's Celnat, S.A., a pioneer in the organic food business and one of France's most important organic cereal producers, in January 2016.

Celnat, S.A. boasts a very strong position in the high-end organic food category and an excellent reputation in the specialist retail circles in which it makes 95% of its sales.

The Group's investment totaled 24 million euros. The acquisition was financed using a mix of equity and debt. The Group took effective control of this business on January 1, 2016, which is the date of its first-time consolidation. The fair values of the assets acquired as at January 1, 2016 are shown in the summary table presented at the end of this note.

Acquisition of Santa Rita Harinas, S.L. (Spain)

Ebro Foods, S.A. acquired a 52% ownership interest in Santa Rita Harinas, S.L. on July 13, 2016. The acquiree makes and markets flour and cooking mixes. Underpinned by a strong strategic commitment to R&D and innovation, it has become the leader in the premium packaged flour segment. Its factory is located in Loranca de Tajuña

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(Guadalajara) and it has 15 employees.

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In total the Group paid 5,778 thousand euros for its 52% interest, 4,778 thousand euros of which was paid in 2016; payment of remaining 1,000 thousand euros is subject to delivery of certain targets in respect of 2016, 2017 and 2018. The acquisition was financed from own funds. The Group took effective control of this business on July 13, 2016, which is the date of its first-time consolidation.

In addition, the Group has arranged two options with the other shareholder over the remaining 48%, granting the seller a put option (exercisable from August 2019 with no expiry date) and the Ebro Group a call option (exercisable from August 2026 with no expiry date). The price of these options will be determined as a function of the target's average earnings metrics over a series of years, as well as other terms and conditions customary in arrangements of this nature (note 26).

The fair value of the net assets acquired as at July 13, 2016 is provided in the table below; note that the Group is still in the process of valuing and analyzing the various assets in order to determine the definitive fair value of the net assets acquired as of the date of first-time consolidation by the Ebro Group.

	Celnat	Harinas	TOTAL
	Date of first-time consolidation		
	Jan 1 ,2016	July 13, 2016	
<u>Thousands of euros</u>	Fair value	Fair value	Fair value
Intangible assets	4,977	0	4,977
Property, plant and equipment	10,950	476	11,426
Financial assets	37	0	37
Deferred tax assets	88	0	88
Inventories	4,596	272	4,868
Other current assets	4,806	1,546	6,352
Total assets	25,454	2,294	27,748
Deferred income	948	0	948
Provisions for pensions and similar obligations	256	0	256
Non-current financial liabilities	2,414	0	2,414
Deferred tax liabilities	2,294	0	2,294
Current financial liabilities	631	0	631
Trade payables	1,369	529	1,898
Other current liabilities	806	853	1,659
Total liabilities	8,718	1,382	10,100
Total identifiable net assets at fair value	16,736	912	17,648
Goodwill arising on acquisition	7,264	10,200	17,464
Purchase consideration transferred	24,000	11,112	35,112
Non-controlling interests	0	5,334	5,334
Financed with financial liabilities and cash	24,000	5,778	29,778
Purchase consideration transferred	24,000	11,112	35,112
Net cash (debt) acquired with the subsidiary	-1,492	651	-841
Revenue since the acquisition date	22,468	1,647	24,115
Net profit contribution since the acquisition date	1,473	255	1,728
Revenue since January 1 (a)	22,468	3,566	26,034
Net profit contribution since January 1 (a)	1,473	449	1,922

(a) Estimate as if the businesses had been acquired on January 1, 2016

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The goodwill generated represents the future economic benefits the Ebro Group expects to obtain as a result, mainly, of the synergies implied by integration of these businesses into its supply, logistics, industrial, sales and human resources platforms.

In addition, in the case of the Santa Rita Harinas, S.L. acquisition, the Group is still in the process of valuing and analyzing the various assets in order to determine the definitive fair value of the net assets acquired as of the date of first-time consolidation by the Ebro Group. Accordingly, the amounts recognized in respect of these business combinations have been determined only provisionally (initial accounting incomplete).

Sale of the rice business in Puerto Rico and the US Virgin Islands

At the end of January 2016, the Ebro Group sold its rice businesses in Puerto Rico and the US Virgin Islands, which it operated under several brands (El Mago, Sello Rojo and Cinta Azul), to CC1 Grain, LLC of Puerto Rico. This disposal marked the Ebro Group's exit from the rice business under the brands sold in Puerto Rico and the US Virgin Islands and was driven by the fact that the characteristics of these markets (where rice products are seen as more of a commodity product) do not fit with the Ebro Group's strategy of focusing on value-added products.

The transaction price was 12 million US dollars and the sale implied a pre-tax gain for the Ebro Group of 9,005 thousand euros (note 8).

There were no other significant changes in the Group's consolidation scope in 2016.

The most significant changes in the Group's consolidation scope in 2015 are outlined below:

Acquisition of a new rice business, Rice Select, in the US

On June 1, 2015, Ebro Foods, S.A., through its US subsidiary, Riviana Foods Inc., acquired from RiceTec AG and RiceTec, Inc. the rice businesses carried on by the latter two companies in the US under the RiceSelect trademark. The transaction was structured as net asset acquisition. In addition to the RiceSelect trademark, the scope of the acquisition encompassed the other business assets, including a factory in Alvin, Texas. Riviana Foods also took on 42 employees devoted to the rice business.

RiceSelect boasts strong brand recognition in the premium specialty rice segment (aromatic rice, risottos, organic rice, etc.); it is uniquely positioned in terms of image and products vis-a-vis consumers in a priority market for the Ebro Group: the US rice market. The value-added products sold under the RiceSelect brand, which are very well positioned in the retail sector, perfectly complement the Riviana portfolio and are enabling the Group to step up its development in the fastest-growing segments of the US rice business.

The business was acquired for 40,731 thousand euros. The acquisition was financed from own funds. The Group took effective control of this business on June 1, 2015, which is the date of its first-time consolidation. The goodwill generated as a result of this business combination is deductible for tax purposes.

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Acquisition of the Monterrat, SAS Group in France

On September 30, 2015, having obtained the pertinent approval from the French anti-trust authority, Ebro Foods, S.A. acquired, through its subsidiary, Panzani, SAS, 100% of the equity of the French prepared fresh meal maker, Roland Monterrat.

With a headcount of 390 professionals, Roland Monterrat is an important player in the fresh meal segment in France: it is the leader in the *pâté en croûte* segment and a top player in the sandwich and *croque-monsieur* segments. This acquisition is shoring up the Ebro Group's growth in the fresh product and in other complementary business segments.

The transaction was structured as the acquisition of 100% of the target's shares. The acquisition price totaled 41,546 thousand euros (a 26,550 thousand euro net payment plus 14,996 thousand euros of assumed net debt). The acquisition was financed using a mix of own funds and borrowings. The Group took effective control of this business on October 1, 2015, which is the date of its first-time consolidation. The goodwill generated as a result of this business combination is not deductible for tax purposes.

The fair value of the net assets acquired in both transactions:

	RiceSelect	Monterrat	TOTAL
	Date of first-time consolidation		
	June 1, 2015	Oct 1, 2015	
Thousands of euros	Fair value	Fair value	Fair value
Intangible assets	12,151	2,710	14,861
Property, plant and equipment	8,760	28,697	37,457
Deferred tax assets	0	484	484
Inventories	4,350	4,355	8,705
Other current assets	1,642	12,157	13,799
Total assets	26,903	48,403	75,306
Provisions for pensions and similar obligations	0	488	488
Other provisions	0	70	70
Non-current financial liabilities	0	18,485	18,485
Deferred tax liabilities	0	7,322	7,322
Current financial liabilities	0	509	509
Trade payables	810	7,173	7,983
Other current liabilities	273	2,926	3,199
Total liabilities	1,083	36,973	38,056
Total identifiable net assets at fair value	25,820	11,430	37,250
Goodwill arising on acquisition	14,911	15,120	30,031
Purchase consideration transferred	40,731	26,550	67,281
Non-controlling interests	0	0	0
Financed with financial liabilities and cash	40,731	26,550	67,281
Purchase consideration transferred	40,731	26,550	67,281
Net cash (debt) acquired with the subsidiary	0	-14,996	-14,996
Revenue since the acquisition date	15,756	18,764	34,520
Net profit contribution since the acquisition date	527	548	1,075
Revenue since January 1 (a)	28,351	53,500	81,851
Net profit contribution since January 1 (a)	1,372	1,200	2,572

(a) Estimate as if the businesses had been acquired on January 1, 2015

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There were no other significant changes in the Group's consolidation scope in 2015.

6. SEGMENT REPORTING

The operating segments are organized and managed separately by products and services; each segment represents a strategic business unit that offers different products and services different markets. Accordingly, the Group's segment reporting disclosures are articulated around its business segments, as the Group's risks and returns are shaped primarily by differences in the products and services provided.

Against this backdrop, the Ebro Foods is divided into the following business segments and/or activities:

- Rice business
- Pasta business
- Other businesses and/or activities

The Group structures its segment reporting disclosures around these businesses and/or activities. The financial information relating to these business segments is presented in the table provided at the end of this note.

Rice business

Herba Group: this group specializes in rice. The Ebro Group has established itself as Europe's leading rice group and one of the world's most important players. It boasts an extensive and modern manufacturing base and sales network, doing business in more than 70 markets.

It is the leading European player in rice retailing, the food service segment and in the supply of rice, rice derivatives and ingredients for industrial purposes. It follows a multi-brand strategy underpinned by a deep portfolio of successful brands that boast strong recognition in their operating markets. These high-profile brands include: SOS, La Fallera, La Cigala, Saludades, Lassie, Reis fit, Rix fis, Oryza, Bosto, Riceland, Risella, Peacock and Phoenix. The table below summarizes the Group's market shares in its main retail markets:

Country	Volume	Value	Ranking
Spain	22.6%	33.8%	#1
Portugal	16.2%	19.3%	#1
Germany	9.5%	16.9%	#2
Belgium	19.4%	25.8%	#2
Netherlands	23.0%	30.6%	#1

In parallel it supplies rice to Europe's leading food sector players:

- ✓ Beverage industries
- ✓ Industrial rice companies
- ✓ Baby food: cereals, baby food, etc.
- ✓ Pre-cooked dishes: non-refrigerated, dehydrated, frozen, etc.
- ✓ Animal and pet food

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Riviana Group: This is the unit specialized in the rice business in the US, specifically through Riviana Inc., the largest rice company in the US with rice processing and production facilities in Tennessee, Texas and Arkansas.

Riviana is the leading rice retailer in the US and boasts a variety of brands including Mahatma and Minute, leaders in the traditional and instant & microwaveable rice segments, respectively.

In 2015, the Group acquired the RiceSelect brand, thereby consolidating Riviana's presence in the specialty rice segment (aromatic rice, risottos, organic rice, etc.). The target boasts unique brand and product recognition.

The Group's overall market share in the US retail segment is 22.3% by volume; its footprint extends to growth segments such as aromatic and microwaveable rice.

This subgroup also has a solid international presence in markets with long-standing trade ties with the US, such as Mexico, several Caribbean nations and the Middle East, the latter through the Abu Bint brand, which is the leading player in the par-boiled rice segment in Saudi Arabia.

Pasta business

Panzani Group: This is the Group unit specialized in the pasta and sauces business. France's Panzani is the leading player in the dry pasta, fresh products, rice, semolina and sauce segments in France.

The sauce and fresh products line is a premium customer proposition and a segment in which Panzani is the undisputed leader in France. Its brands, Panzani and Lustucru, command 32.1% and 39.1% of the market by volume, respectively.

The fresh products line includes fresh pastas, pan-fry products, new risotto sauces, ready-to-eat fresh dishes and new fresh, potato-based specialties. It represents a growth segment and a launch pad for the Group's R&D effort. The acquisition of Roland Monterrat in 2015 reinforced the Group's presence in this market as the target specializes in fresh dishes, sandwiches, *pâté en croûte* and *croque-monsieurs*.

Panzani sells rice under two brands: Lustucru, devoted to conventional and quick-cook rice, and Taureau Ailé, specialized in exotic rice and the number-one player in this segment in France, with a share of 20.8% by sales volumes. Panzani sells semolina products under the Regia and Ferrero brands, which lead the market by sales volumes.

It is also the market leader in Belgium and the Czech Republic with shares of 7.3% and 12.6% (by volume), respectively, and exports pasta and semolina products, particularly to northern Africa and other French-speaking markets.

Garofalo Group: The Ebro Group acquired 52% of Italy's Pasta Garofalo on June 18, 2014. Pastificio Lucio Garofalo is steeped in over two hundred years of history and marries tradition and innovation in the premium pasta business. It is based in Gragnano (at the back of the Bay of Naples), the region considered the cradle of pasta on account of its special microclimate. It owns the Garofalo and Santa Lucia trademarks, among others.

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This company has etched out a growth story during the past 15 years, transforming from a small-sized local player into a leader in the Italian premium dry pasta segment (share of 5% by volume and 9.4% by value). Its brands are sold in most European markets and the US and its Santa Lucia brand is a best-selling pasta brand in eastern Africa.

New World Pasta Group: a leading player in the dry pasta segment in the US and Canada. Its manufacturing base encompasses Montreal (Quebec), Fresno (California), Saint Louis (Missouri) and Winchester (Virginia). It follows a multi-brand strategy: its brands are strongly entrenched in their local markets; this company also commands an important presence in the health and well-being segments, in which it markets its products under the Healthy Harvest, Smart Taste, Garden Delight and Gluten Free trademarks.

New World Pasta boasts an extensive range of complementary and solid brands, including: Ronzoni, Skinner, Prince, American Beauty, San Giorgio, Creamette and No Yolks in the US, and Catelli, Lancia and Ronzoni in Canada. It commands overall market shares (by volume) in the US and Canada of 18.8% and 31.0%, respectively. Towards the end of 2013 it added Olivieri to this portfolio, a fresh pasta brand with a market share in Canada of 45.1%.

Other businesses and/or activities

The most notable activity in this category:

Asset management:

This unit manages the Group's property that is not used in the core businesses (investment properties). Its goal is to centrally control all of the Group's properties with a view to remaining abreast of their status, reducing costs and selling off those not used for industrial purposes after taking action to maximize their valuation prior to monetization.

Criteria used to allocate amounts to reportable segments

The restructuring effort and initiatives undertaken by the Group in recent years have enabled it to scale each of its main business segments separately, thereby facilitating their management, decision-making and financial control. Accordingly, the allocation of consolidated expenses, income, assets and liabilities among the segments derives from the amounts that belong directly to each. It has not been necessary to establish criteria for allocating shared expenses and income or shared assets and liabilities among segments. Against this backdrop, although the non-financial fixed assets and liabilities and working capital structure dovetail with the needs of each business or activity, the financial structure shown by segment is determined by internal financial management criteria in keeping with appropriate and necessary centralization and coordination at the Group level.

Inter-segment transactions

Although not material in relation to the total consolidated figures, inter-segment transactions have been eliminated for the purpose of determining the reportable segments' revenue, expenses and profits. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. Inter-segment transactions are eliminated on consolidation.

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6.1 Geographic information

The geographic information is provided on the basis of the Group's assets. Revenue from external customers is based on the geographic location of the customers. The detailed descriptions of each of the Group's business segment provided above indicates the geographic areas in which each operates. A summary of the businesses and/or activities carried out by the Group by geographic areas is provided below:

- Spain – Herba's rice business and the Harinas de Santa Rita business.
- Rest of Europe - essentially the businesses of Herba, Panzani (including Monterrat and Celnat) and Garofalo.
- USA – the Riviana (including RiceSelect), American Rice, NWP and Olivieri businesses.
- Rest of world - essentially the rice business of Herba and some of the exports of Panzani, American Rice and Garofalo.

The breakdown of assets and revenue provided by geographic market below for continuing operations, without considering the place where the goods are produced, is provided in the next table:

2015 - Geographic market	Spain	Europe	Americas	Other	TOTAL
Segment revenue	147,649	1,175,712	1,096,056	200,509	2,619,926
Inter-segment revenue	-5,129	-64,218	-88,553	-111	-158,011
Total revenue	142,520	1,111,494	1,007,503	200,398	2,461,915
Intangible assets	34,872	150,420	274,998	40	460,330
Property, plant and equipment	64,151	334,064	267,401	22,614	688,230
Other assets	248,043	1,048,184	862,684	96,205	2,255,116
Total assets	347,066	1,532,668	1,405,083	118,859	3,403,676
Capital expenditure	7,188	45,262	25,579	4,138	82,167

2016 - Geographic market	Spain	Europe	Americas	Other	TOTAL
Segment revenue	154,749	1,234,732	1,053,001	179,606	2,622,088
Inter-segment revenue	-6,414	-60,253	-96,095	-80	-162,842
Total revenue	148,335	1,174,479	956,906	179,526	2,459,246
Intangible assets	32,200	156,164	274,442	122	462,928
Property, plant and equipment	65,002	375,723	270,566	26,161	737,452
Other assets	299,534	1,054,195	978,309	113,060	2,445,098
Total assets	396,736	1,586,082	1,523,317	139,343	3,645,478
Capital expenditure	7,228	73,828	20,620	7,042	108,718

6.2 Segment reporting disclosures

The following tables provide information on the revenue and earnings of continuing operations as well as certain asset and liability disclosures for the Group's reportable segments for the years ended December 31, 2016 and 2015.

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REPORTABLE SEGMENT DISCLOSURES - CONTINUING OPERATIONS										
EBRO FOODS GROUP (Thousands of euros)	TOTAL CONSOL. FIGURES		Rice business		Pasta business		EF Holdco		Other businesses & consol. adjustments	
	YE16	YE15	YE16	YE15	YE16	YE15	YE16	YE15	YE16	YE15
BALANCE SHEET										
Intangible assets	462,928	460,330	189,729	187,525	261,174	260,633	12,005	12,144	20	28
Property, plant and equipment	737,452	688,230	352,164	331,767	375,299	347,150	1,351	1,149	8,638	8,164
Investment properties	25,882	29,927	27,357	27,329	1	1	7,886	11,959	-9,362	-9,362
Financial assets	39,155	43,391	2,627	3,872	11,618	13,090	24,875	26,406	35	23
Investments in associates	37,299	24,052	58,896	60,834	31,745	31,745	1,380,199	1,354,057	-1,433,541	-1,422,584
Deferred tax assets	83,068	74,301	25,776	23,082	30,477	28,777	23,535	19,159	3,280	3,283
Goodwill	1,029,715	996,778	377,405	368,242	641,982	628,408	0	0	10,328	128
Other non-current assets	0	0	0	0	0	0	0	0	0	0
Accounts receivable from group companies	0	0	79,123	90,653	174,512	165,605	5,223	9,818	-258,858	-266,076
Other current assets	1,229,979	1,086,667	682,150	569,045	526,798	503,293	14,853	5,914	6,178	8,415
	3,645,478	3,403,676	1,795,227	1,662,349	2,053,606	1,978,702	1,469,927	1,440,606	-1,673,282	-1,677,981
Assets held for sale	0	0							0	0
Total assets	3,645,478	3,403,676							-1,673,282	-1,677,981
Total equity	2,106,401	1,992,916	1,307,000	1,194,128	1,459,944	1,375,792	731,918	809,878	-1,392,461	-1,386,882
Deferred income	4,749	4,418	1,091	1,398	3,651	3,007	0	0	7	13
Provisions for pensions and similar obligations	56,489	45,326	22,666	18,259	31,678	24,674	2,145	2,302	0	91
Other provisions	18,498	14,256	2,967	1,519	4,011	3,717	11,520	9,020	0	0
Non-current & current financial liabilities	737,450	639,788	93,723	62,693	169,292	182,189	468,714	394,593	5,721	313
Other non-financial liabilities	0	6	0	6	0	0	0	0	0	0
Deferred tax liabilities	299,175	281,736	141,984	125,114	114,033	123,382	42,777	32,574	381	666
Borrowings from group companies	0	0	68,360	98,329	12,952	15,019	205,731	181,363	-287,043	-294,711
Other current liabilities	422,716	425,230	157,436	160,903	258,045	250,922	7,122	10,876	113	2,529
	3,645,478	3,403,676	1,795,227	1,662,349	2,053,606	1,978,702	1,469,927	1,440,606	-1,673,282	-1,677,981
Liabilities of non-current assets held for sale	0	0							0	0
Total liabilities	3,645,478	3,403,676							-1,673,282	-1,677,981
Capital expenditure for the year	108,718	82,167	48,954	41,921	59,144	39,345	484	822		
Capital employed	1,611,272	1,579,447	891,758	861,763	709,253	691,071	9,833	14,368		
ROCE	16.6	15.6	18.3	17.1	21.6	16.1	-	-		
Leverage	19.4%	21.6%								
Average headcount for the year	6,195	5,779								
Stock market data:										
Number of shares outstanding ('000)	153,865	153,865								
Market cap. at year-end	3,063	2,780	Millions of euros							
EPS	1.10	0.94								
Dividend per share (DPS)	0.54	0.66								
Underlying carrying amount per share	13.51	12.78								

REPORTABLE SEGMENT DISCLOSURES - CONTINUING OPERATIONS										
EBRO FOODS GROUP (Thousands of euros)	TOTAL CONSOL. FIGURES		Rice business		Pasta business		EF Holdco		Other businesses & Consol. adjustments	
	FY16	FY15	FY16	FY15	FY16	FY15	FY16	FY15	FY16	FY15
INCOME STATEMENT										
External revenue	2,459,246	2,461,915	1,229,119	1,233,185	1,220,081	1,207,852	3	265	10,043	20,613
Inter-segment revenue			54,734	54,541	16,147	16,549	5,442	5,422	-76,323	-76,512
Total revenue	2,459,246	2,461,915	1,283,853	1,287,726	1,236,228	1,224,401	5,445	5,687	-66,280	-55,899
Change in inventories	16,231	12,419	15,490	7,933	458	4,300	0	0	283	186
Own work capitalized	1,097	1,012	90	69	1,007	943	0	0	0	0
Other operating income	34,570	18,017	12,892	11,138	11,032	8,572	17,753	4,687	-7,107	-6,380
Raw materials and consumables used	-1,314,475	-1,391,646	-745,741	-768,766	-632,448	-675,621	0	0	63,714	52,741
Employee benefits expense	-331,443	-306,304	-141,681	-132,025	-176,863	-160,951	-11,193	-10,718	-1,706	-2,610
Depreciation and amortization	-76,833	-68,410	-32,703	-29,450	-43,545	-38,170	-451	-655	-134	-135
Other operating expenses	-523,785	-484,626	-222,960	-228,081	-302,574	-258,533	-4,189	-7,787	5,938	9,775
Operating profit	264,608	242,377	169,240	148,544	93,295	104,941	7,365	-8,786	-5,292	-2,322
Finance income	28,746	31,112	25,157	27,416	5,304	8,322	4,357	-5,185	-6,072	559
Finance costs	-36,803	-43,183	-26,741	-31,550	-5,747	-8,221	-7,315	-3,812	3,000	400
Impairment of goodwill	-183	-4,213	-183	-3,613	0	0	0	0	0	-600
Share of profit of associates	3,042	3,629	7,614	6,893	0	0	0	0	-4,572	-3,264
Consolidated profit (loss) before tax	259,410	229,722	175,087	147,690	92,852	105,042	4,407	-17,783	-12,936	-5,227

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7. DISCONTINUED OPERATIONS

At year-end 2016, the Group did not have significant amounts of non-current assets held for sale. No operations were classified as discontinued operations at the segment reporting level in either 2016 or 2015.

8. OTHER INCOME AND EXPENSE

8.1 Other operating income

	2016	2015
Government grants (related to income and grants)	744	845
Other operating income	8,228	9,062
Gains on disposal of fixed assets	212	388
Gains on disposal of investment properties	13,285	5,844
Gains on disposal of investees	9,005	0
Reversal of non-current asset impairment provisions	0	844
Other income	3,096	1,034
Insurance claims	1,059	0
Reversal of provisions for other lawsuits	1,371	356
Other less significant items	666	678
	34,570	18,017

Other income includes the following less-recurring items in 2016:

- A gain of 9,005 thousand euros generated by the sale of the rice business in Puerto Rico and the US Virgin Islands (note 5).
- A gain of 13,285 thousand euros generated by the sale of a building in Madrid and a smaller property in Seville (investment properties; note 11).
- A gain of 212 thousand euros obtained on the sale and derecognition of items of property, plant and equipment.
- Income from insurance claims of 1,059 thousand euros.
- Income from the reversal of provisions for lawsuits of 1,371 thousand euros.

The rest of other operating income relates to grants and minor other operating items.

Other income included the following less-recurring items in 2015:

- A gain of 388 thousand euros recognized on the sale of items of property, plant and equipment.
- Income from the reversal of impairment provisions recognized on items of property, plant and equipment in the amount of 844 thousand euros.
- A gain of 5,844 thousand euros on the sale of investment properties (one property owned by one of the Group's British companies and another in Houston, USA).
- Income from the reversal of provisions for pensions in the amount of 85 thousand euros and income from the reversal of provisions for lawsuits of 271 thousand euros.

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The rest of other operating income related to grants and minor other operating items.

8.2 Other operating expenses

	2016	2015
External expenditure	(380,408)	(370,973)
Advertising expenditure	(100,401)	(87,717)
Research and development expenses	(1,108)	(1,768)
Taxes/levies other than corporate income tax	(13,570)	(12,121)
Loss on the disposal of fixed assets	(3,625)	(438)
Provision for the impairment of intangible assets (trademarks)	(7,947)	0
Other provisions and charges recognized	(16,726)	(11,609)
Provisions for lawsuits and disputes	(4,787)	(1,642)
Industrial and logistics restructuring charges	(5,064)	(7,100)
New business and investment acquisition costs	(1,170)	(1,515)
Provision for commitments to employees	(5,337)	0
Other less significant items	(368)	(1,352)
	(523,785)	(484,626)

Other operating expenses include the following less-recurring items in 2016:

- A loss of 3,625 thousand euros recognized on the derecognition, sale or restructuring of several pieces of industrial equipment and plant.
- Expenses incurred in acquiring new businesses and investments not eligible for capitalization in the amount of 1,170 thousand euros.
- Charges for provisions and expenses for lawsuits with third parties in the amount of 4,787 thousand euros (note 21).
- A charge of 7,947 thousand euros for the impairment of two pasta brands in North America (note 9).
- Industrial restructuring charges and costs at certain centers totaling 5,064 thousand euros. This includes the cost of redundancies, expenses in respect of factories closed in prior years and logistical restructuring at warehouses.
- A charge of 5,337 thousand euros in connection with the recognition of a provision for commitments to employees in France as a result of new labor legislation (note 20).

Other operating expenses included the following less-recurring items in 2015:

- A loss of 438 thousand euros recognized on the recognition or sale of several pieces of industrial equipment and plant.
- Expenses and additions to provisions totaling 1,642 thousand euros as a result of certain contingencies and lawsuits in process.
- Industrial and logistics restructuring costs at several centers totaling 7,100 thousand euros. This figure includes the cost of termination benefits, logistical restructuring of warehouses and other associated costs.

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- Expenses incurred in acquiring new businesses and investments not eligible for capitalization in the amount of 1,515 thousand euros.

8.3 Finance income and costs

	2016	2015
Finance costs		
Third-party borrowings	(8,017)	(7,082)
Unwinding of discount on provisions for pensions and similar oblig	(1,181)	(1,109)
Losses on derecognition of financial assets and liabilities	(2)	(8)
Impairment provisions on other financial assets	(1,176)	(1,900)
Expenses/losses related to derivatives and financial instruments	(1,458)	(6,081)
Exchange losses	(24,969)	(27,003)
	(36,803)	(43,183)
Finance income		
Third-party loans	2,047	2,439
Gains on derecognition of financial assets and liabilities (note 12)	496	0
Reversal of financial asset impairment provisions	409	530
Gains on derivatives and financial instruments	3,398	4,595
Exchange gains	22,396	23,548
	28,746	31,112
Net finance income/(cost)	(8,057)	(12,071)

8.4 Employee benefits expense

The breakdown of employee benefits expense and the average Group headcount in 2016 and 2015 and at each year-end:

	2016	2015
Wages and salaries	(254,760)	(231,953)
Other benefit expense	(26,477)	(26,625)
Social security and similar costs	(41,713)	(38,516)
Cost of post-employment and similar benefits	(8,493)	(9,210)
	(331,443)	(306,304)

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AVERAGE HEADCOUNT

AVERAGE	MALE		FEMALE		TOTAL
	FIXED	PART-TIME	FIXED	PART-TIME	
2016					
Executives	140	1	43	0	184
Middle management	438	8	200	14	660
Clerical staff	310	30	368	35	743
Support staff	613	313	200	80	1,206
Sales staff	174	19	72	35	300
Other staff	1,801	679	456	166	3,102
TOTAL	3,476	1,050	1,339	330	6,195

AVERAGE	MALE		FEMALE		TOTAL
	FIXED	PART-TIME	FIXED	PART-TIME	
2015					
Executives	134	0	43	1	178
Middle management	399	7	190	14	610
Clerical staff	232	15	382	25	654
Support staff	561	229	146	11	947
Sales staff	158	6	51	1	216
Other staff	1,875	623	481	175	3,154
TOTAL	3,359	880	1,293	227	5,759

YEAR-END HEADCOUNT

YEAR-END HEADCOUNT	MALE		FEMALE		TOTAL
	FIXED	PART-TIME	FIXED	PART-TIME	
2016					
Executives	137	2	43	0	182
Middle management	440	11	202	13	666
Clerical staff	323	34	370	27	754
Support staff	569	256	190	79	1,094
Sales staff	169	20	72	1	262
Other staff	1,850	627	477	233	3,187
TOTAL	3,488	950	1,354	353	6,145

YEAR-END HEADCOUNT	MALE		FEMALE		TOTAL
	FIXED	PART-TIME	FIXED	PART-TIME	
2015					
Executives	136	0	44	0	180
Middle management	401	6	191	13	611
Clerical staff	240	19	389	30	678
Support staff	545	69	140	10	764
Sales staff	155	7	53	1	216
Other staff	1,861	579	485	134	3,059
TOTAL	3,338	680	1,302	188	5,508

As newly-required under article 260 of the Corporate Enterprises Act, the Company hereby discloses that the number of people employed during the year with a disability of a severity of 33% or higher averaged 82 men and 29 women, all of whom in the clerical and support staff categories.

9. INTANGIBLE ASSETS

The reconciliation of the carrying amount of intangible assets at the beginning and end of 2016 and 2015, detailing the amortization and impairment provisions recognized and the movements recorded in each year, is provided below (in thousands of euros):

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<u>Carrying amounts</u>	Development costs	Patents & trademarks	Computer software	Emission allowances	Work in progress	Total
Balance at December 31, 2014	421	424,983	6,936	171	1,463	433,974
Balance at December 31, 2015	282	452,129	5,515	89	2,315	460,330
Balance at December 31, 2016	0	455,044	5,695	89	2,100	462,928

<u>Gross carrying amounts</u>	Development costs	Trademarks & patents	Computer software	Emission allowances	Work in progress	Total
Balance at December 31, 2014	598	435,950	38,399	228	1,463	476,638
Business combinations		14,828	33			14,861
Business sales (exits)						0
Additions	45	4	2,155		851	3,055
Decreases			(22)	(14)		(36)
Translation differences		12,809	1,652		1	14,462
Assets held for sale						0
Transfers				(125)		(125)
Balance at December 31, 2015	643	463,591	42,217	89	2,315	508,855
Business combinations		4,951	26			4,977
Business sales (exits)		(867)	(44)			(911)
Additions		13	4,010		(215)	3,808
Decreases	(557)		(165)			(722)
Translation differences		9,916	426			10,342
Assets held for sale						0
Transfers						0
Balance at December 31, 2016	86	477,604	46,470	89	2,100	526,349

<u>Amortization and impairment</u>	Development costs	Trademarks & patents	Computer software	Emission allowances	Work in progress	Total
Balance at December 31, 2014	(177)	(10,967)	(31,463)	(57)	0	(42,664)
Business combinations						0
Business sales (exits)						0
Additions	(186)	(521)	(3,585)			(4,292)
Decreases			21			21
Translation differences	2	26	(1,620)			(1,592)
Assets held for sale						0
Transfers			(55)	57		2
Balance at December 31, 2015	(361)	(11,462)	(36,702)	0	0	(48,525)
Business combinations						0
Business sales (exits)			44			44
Additions	(428)	(9,881)	(4,250)			(14,559)
Decreases	586	1	124			711
Translation differences		(705)	(387)			(1,092)
Assets held for sale						0
Transfers	117	(513)	396			0
Balance at December 31, 2016	(86)	(22,560)	(40,775)	0	0	(63,421)

Movements in 2016

The most significant movements under this heading in 2016:

- An increase of 3,808 thousand euros in relation to new intangible assets, mainly software purchases.
- An increase of 9,250 thousand euros due to exchange gains.
- A decrease of 6,161 thousand euros on account of amortization charges for the year.
- An increase of 4,977 thousand euros due to business combinations (note 5).
- A decrease of 7,947 thousand euros as a result of the impairment of two pasta brands in North America. As part of its procedure for testing its intangible assets for impairment, the Ebro Group tests its goodwill and other indefinite-lived intangible

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assets for impairment on an annual basis or whenever there are circumstances indicating that any of these assets may be impaired. Against this backdrop, the impairment tests performed in 2016 revealed a shortfall in the recoverable amounts of two pasta brands in North America, to which end the above-mentioned impairment charge was recognized (note 8).

- A decrease of 867 thousand euros due to the sale of brands in Puerto Rico.
- The Group also recognized impairment losses on other assets totaling 451 thousand euros and derecognized intangible assets with a carrying amount of 11 thousand euros in 2016; it did not transfer any intangible assets.

The most significant movements under this heading in 2015:

- An increase of 3,055 thousand euros in relation to new intangible assets, mainly software purchases.
- An increase of 12,870 thousand euros due to exchange gains.
- A decrease of 4,292 thousand euros on account of amortization charges for the year. There were no movements under the impairment provisions account.
- An increase of 14,861 thousand euros due to business combinations.
- In 2015, the Group derecognized intangible assets with a carrying amount of 15 thousand euros and transferred assets with a carrying amount of 123 thousand euros.

Trademarks

The trademarks and patents included within intangible assets were either acquired directly or via business combinations. Virtually all of these assets have been assessed as having an indefinite useful life and have been valued using the cost model.

The Group tested its most significant brands for impairment in 2016 and 2015 (these tests were mostly performed by independent experts - Duff & Phelps), as a result of which exercise the following brand-related carrying amounts were allocated to the following cash-generating units:

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Segment	CGU: trademarks	Number of trademarks	Balance at December 31, 2016		
			Gross	Impairment	Net
Herba rice	Herba Germany	2	21,065	(8,653)	12,412
Herba rice	Risella (Finland)	1	4,000	0	4,000
Herba rice	SOS Europe	3	39,724	0	39,724
US rice	Riviana (US)	4	113,996	0	113,996
US rice	ARI (SOS) (US)	4	17,738	0	17,738
US rice	RiceSelect	4	4,307	0	4,307
Europe pasta	Panzani (France)	5	88,161	0	88,161
Europe pasta	Panzani - Monterrat	1	2,677	0	2,677
Pasta US	NWP (USA & Canada)	16	136,391	(8,868)	127,523
Europe pasta	Garofalo (Italy)	3	34,575	0	34,575
			462,634	(17,521)	445,113
US rice	RiceSelect		6,600	(1,045)	5,555
US rice	RiceSelect - customer portfolio		1,784	(403)	1,381
Pasta US	Canada - customer portfolio		3,556	(1,524)	2,032
Other indefinite-lived trademarks and patents			3,030	(2,067)	963
			477,604	(22,560)	455,044

At year-end 2016, there are five trademarks with an original aggregate cost of 48,688 thousand euros (year-end 2015: three brands with an original cost of 25,721 thousand euros) that have been written down for impairment by 17,521 thousand euros in total (year-end 2015: 9,020 thousand euros).

The recoverable amount of these trademarks has been determined using cash flow projections that are typically derived from budgets that cover a five-year horizon and are then projected for another five years (using the royalty relief method).

The rates used to discount these assets' projected cash flows in 2016 range between 8 and 8.4% in the US & Canada (2015: 7.2% - 7.9%); 6.7% in Germany (6.6%); 7.2% in France (6.6%); 7.9% in Spain (7.5%); 8.4% in Italy (7.3%) and 10.3% in Portugal (8.3%), depending on the business market of each brand or cash-generating unit. Cash flows beyond the initial 5-year budget horizon were extrapolated using the corresponding units' medium to long-term growth rates, which are typically between 1.2% and 2.3% (2015: 1.3% - 2.4%), depending on the business.

With respect to the assumptions used to calculate these trademarks' value in use, management believes that no reasonably-possible change in the key assumptions used would cause their carrying amounts to exceed their recoverable amounts, with the exception of those already deemed impaired. More specifically, neither a 10% increase in the discount rates nor a 10% variation in the royalty rates used would trigger significant impairment charges.

10. PROPERTY, PLANT AND EQUIPMENT

The reconciliation of the carrying amount of the Group's property, plant and equipment at the beginning and end of 2016 and 2015, detailing the depreciation and impairment provisions recognized and movements recorded in each year, is provided below (in thousands of euros):

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<u>Carrying amounts</u>	Land	Buildings	Plant and equipment	Other fixtures, tools & furniture	Other PP&E & equipment	PP&E under construction	Total
Balance at December 31, 2014	88,769	160,951	299,076	13,020	3,590	47,365	612,771
Balance at December 31, 2015	96,368	183,002	336,104	14,835	3,955	53,966	688,230
Balance at December 31, 2016	106,976	200,077	359,018	16,911	4,937	49,533	737,452

<u>Gross carrying amounts</u>	Land	Buildings	Plant and equipment	Other fixtures, tools & furniture	Other PP&E & equipment	PP&E under construction	Total
Balance at December 31, 2014	88,769	283,495	807,799	43,033	12,996	47,365	1,283,457
Business combinations	2,591	15,719	17,609	847		691	37,457
Business sales (exits)							0
Additions	3,260	9,147	57,448	4,019	1,341	3,897	79,112
Decreases		(114)	(4,888)	(218)	(319)		(5,539)
Translation differences	2,165	9,387	22,878	223	128	2,013	36,794
Transfers			86	95	(32)		149
Balance at December 31, 2015	96,785	317,634	900,932	47,999	14,114	53,966	1,431,430
Business combinations	455	6,812	4,532	149	133	(655)	11,426
Business sales (exits)				(51)	(27)		(78)
Additions	7,801	25,547	69,399	4,007	2,064	(3,908)	104,910
Decreases	2,970	(2,207)	(30,909)	(573)	(422)		(31,141)
Translation differences	369	1,843	6,899	149	(218)	130	9,172
Transfers		(4)	3		1		0
Balance at December 31, 2016	108,380	349,625	950,856	51,680	15,645	49,533	1,525,719

<u>Depreciation and impairment</u>	Land	Buildings	Plant and equipment	Other fixtures, tools & furniture	Other PP&E & equipment	PP&E under construction	Total
Balance at December 31, 2014	0	(122,544)	(508,723)	(30,013)	(9,406)	0	(670,686)
Business sales (exits)							0
Additions		(10,347)	(49,561)	(3,324)	(818)		(64,050)
Decreases		88	5,357	208	269		5,922
Translation differences	(2)	(1,478)	(12,539)	(226)	(65)		(14,310)
Transfers	(415)	(351)	638	191	(139)		(76)
Balance at December 31, 2015	(417)	(134,632)	(564,828)	(33,164)	(10,159)	0	(743,200)
Business sales (exits)				42	27		69
Additions	(182)	(12,198)	(54,188)	(3,157)	(911)		(70,636)
Decreases	31	(1,805)	28,493	566	429		27,714
Translation differences		(102)	(2,129)	(76)	93		(2,214)
Transfers	(836)	(811)	814	1,020	(187)		0
Balance at December 31, 2016	(1,404)	(149,548)	(591,838)	(34,769)	(10,708)	0	(788,267)

The Group's policy is to take out all the insurance policies deemed necessary to cover risks that could affect these assets.

Additions under 'PP&E under construction' include the amounts corresponding to projects related to the production of new product ranges and, in general, the upgrade of the quality of the Group's industrial processes, products and its assets' environmental performance.

Note that in relation to certain investments made by the various Group companies in 2014 and prior years, the Group obtained grants, the amounts of which are disclosed in note 19.

No material items of property, plant or equipment are not used for business purposes.

Movements in 2016

- An increase of 6,958 thousand euros due to exchange gains.
- A decrease of 70,636 thousand euros on account of depreciation charges for the year.
- Additions of 104,910 thousand related to capital expenditure, essentially investments in technical upgrades, expansion work and new facilities at the Group's various factories.
- An increase of 11,423 thousand euros due to business combinations (note 5).
- In 2016, the Group also derecognized assets with a carrying amount of 3,436

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thousand euros.

Movements in 2015

The most significant movements under this heading in 2015:

- An increase of 22,484 thousand euros due to exchange gains.
- A decrease of 64,050 thousand euros on account of depreciation charges for the year.
- Additions of 79,112 thousand related to capital expenditure.
- An increase of 37,457 thousand euros due to business combinations.
- In 2015, the Group derecognized assets with a carrying amount of 388 thousand euros.
- An increase of 844 thousand euros on account of the reversal of asset impairment charges.

In 2016, the Group recognized 70,636 thousand euros of depreciation charges in respect of its property, plant and equipment (2015: 64,050 thousand euros) and 0 (2015: zero) of impairment losses on these assets in its consolidated income statement.

The derecognition of items of property, plant and equipment in 2016 generated losses, on the one hand, of 3,625 thousand euros (2015: 438 thousand euros) and gains of 212 thousand euros (2015: 388 thousand euros), on the other.

11. INVESTMENT PROPERTIES

The reconciliation of the carrying amount of the Group's investment properties at the beginning and end of 2016 and 2015, detailing the depreciation and impairment provisions recognized and movements recorded in each year, is provided below (in thousands of euros):

<u>Carrying amounts</u>	Land	Buildings	Total
Balance at December 31, 2014	24,072	6,760	30,832
Balance at December 31, 2015	23,941	5,986	29,927
Balance at December 31, 2016	23,974	1,908	25,882

	<u>Gross carrying amounts</u>			<u>Depreciation and impairment</u>		
	Land	Buildings	Total	Land	Buildings	Total
Balance at December 31, 2014	24,656	16,512	41,168	(584)	(9,752)	(10,336)
Business combinations			0			0
Business sales (exits)			0			0
Additions			0		(67)	(67)
Decreases	(262)	(783)	(1,045)		26	26
Translation differences	131	52	183		(2)	(2)
Transfers			0			0
Balance at December 31, 2015	24,525	15,781	40,306	(584)	(9,795)	(10,379)
Business combinations			0			0
Business sales (exits)			0			0
Additions			0		(36)	(36)
Decreases		(5,034)	(5,034)		990	990
Translation differences	33	2	35			0
Transfers			0			0
Balance at December 31, 2016	24,558	10,749	35,307	(584)	(8,841)	(9,425)

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The depreciation charge recognized in 2016 amounted to 36 thousand euros (2015: 67 thousand euros), while the impairment provisions recognized totaled 0 thousand euros (2016: zero).

The most significant movement under this heading in 2016 relates to the sale of a property (a residential building) in Madrid and another smaller property in Seville, generating between them a pre-tax gain of 13,285 thousand euros (note 8).

The most significant movements in 2015 corresponded to the sale of properties by two Group companies.

There are no restrictions on the monetization of the Company's investment properties or any proceeds from their disposal.

Investment properties are initially recognized at their acquisition cost. The investment properties with the most significant fair values correspond to the sites on which dismantled factories were located and some unoccupied buildings in Spain and Portugal, as well as one property in the US (Houston).

These properties' fair values represent the values at which the assets can be exchanged on the date of valuation between knowledgeable, willing parties in an arm's length transaction, in keeping with the International Valuation Standards.

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In determining their fair value, the properties are valued individually and separately and not as part of a portfolio of properties. In some instances, the Group used the benchmark valuations provided by independent appraisers (updated internally as warranted), while in others it used comparable valuation methodology to reflect the market paradigm and the prices at which assets with similar characteristics are being transacted, adjusting as needed for changes in economic circumstances arising since the comparable transaction dates. This effort is coordinated by the Asset Management Unit which, as indicated in note 6 above, is the business unit tasked with management and control of all of the properties that are not used in the Group's core business activities (investment properties), its remit being to remain abreast of their status, reduce costs and sell off those not used for industrial purposes after taking action to maximize their valuation prior to monetization. Against this backdrop, the inputs used to determine these properties' fair value should be deemed level 3 for IFRS fair value hierarchy purposes.

The fair value of the Group's investment properties at year-end 2016 was an estimated 68 million euros (year-end 2015: 87 million euros).

12. FINANCIAL ASSETS

The breakdown of this balance sheet heading at year-end 2016 and 2015 (in thousands of euros) is as follows:

	31/12/2016			31/12/2015		
	Total	Non-current	Current	Total	Non-current	Current
Assets held for trading	1,361	1,349	12	1,715	1,715	0
Available-for-sale financial assets	0	0	0	846	846	0
Held-to-maturity investments:						
- Deposits and guarantees	3,869	2,325	1,544	3,938	2,056	1,882
Loans and receivables:						
- Loans to associates	0	0	0	0	0	0
- Loans to third parties	33,925	30,414	3,511	36,892	33,640	3,252
	33,925	30,414	3,511	36,892	33,640	3,252
TOTAL FINANCIAL ASSETS	39,155	34,088	5,067	43,391	38,257	5,134

Available-for-sale financial assets - Investment in Biosearch, S.A.

This financial investment was carried at fair value and changes therein were recognized in equity insofar as the investment was neither impaired nor sold, at which time the fair value gains or losses would be reclassified to profit or loss.

At year-end 2015, this investment corresponded to 1,801,000 shares of Biosearch, S.A., equivalent to a 3.121% ownership interest. At that date, this investment's fair value, based on its quoted share price, was 846 thousand euros (0.470 euros per share).

In 2016, the Group sold all of its shares in Biosearch, S.A. at an average price of 0.553 euros per share, generating a pre-tax gain of 509 thousand euros.

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Loans to third parties

The year-on-year decrease in the balance of loans to third parties in 2016 is the result of repayments collected in accordance with the loan schedules, as detailed below. The outstanding balance relates primarily to:

- The deferred portion of the purchase price due from the sale of the Nomen brand under the agreement reached in 2012; this agreement was renegotiated in September 2014 to extend the collection term by a further two years and reduce the interest rate from 4.2% to 3.4%. The non-current portion of this vendor loan is 22,293 thousand euros and the current portion, 1,685 thousand euros. This loan accrues interest at a rate of 3.4% and the last instalment is due in September 2027. The Nomen trademarks have been pledged as collateral to guarantee repayment of this loan.
- The deferred portion of the purchase price for the assets comprising the German pasta business under the terms of the agreement reached in December 2013, as amended in July 2014; the non-current portion of this vendor loan is 7,018 thousand euros and the current portion, 1,795 thousand euros. This loan accrues interest (between explicit and implicit interest) at a rate of 2.80%. The first instalment of the long-term tranche is due on March 31, 2018; it will be repaid in quarterly instalments from then until June 30, 2021. The trademarks sold have been pledged as collateral against the vendor loan and would be returned to the seller in the event of non-payment.

Of this heading, 32,860 thousand (year-end 2015: 35,880 thousand euros) is denominated in euros and 1,065 thousand euros (2015: 1,012 thousand euros) is denominated in US dollars.

The maturity schedule for these non-current loans is: 3,742 thousand euros in 2018, 4,008 thousand euros in 2019, 4,058 thousand euros in 2020, 3,128 thousand euros in 2021 and the remaining 15,478 thousand euros in 2022 and beyond.

13. INVESTMENTS IN ASSOCIATES

The movements under this heading in 2016 and 2015 (in thousands of euros) are shown below:

Associate	Balance at YE15	Increases in investment	Decreases due to disposals	Dividends paid	Profit/(loss) for the year	Translation differences	Other movements	Balance at YE16
Riso Scotti, S.p.a.	19,105	13,615		(509)	(837)			31,374
Associates of Riviana Foods Inc.	4,916			(3,162)	3,879	196	0	5,829
Other companies	31	65						96
	24,052	13,680	0	(3,671)	3,042	196	0	37,299

Associate	Balance at YE14	Increases due to acquisitions	Decreases due to disposals	Dividends paid	Profit/(loss) for the year	Translation differences	Other movements	Balance at YE15
Riso Scotti, S.p.a.	18,844			(337)	598			19,105
Associates of Riviana Foods Inc.	4,013			(2,591)	3,031	463	0	4,916
Other companies	0	31						31
	22,857	31	0	(2,928)	3,629	463	0	24,052

There was no significant movement under this heading in 2015. As for 2016, the most significant movement relates to Riso Scotti, S.p.A. (the parent of the Italian Scotti group), in which the Ebro Group increased its interest from 25% to 40%.

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The associates of Riviana Foods, Inc. do not have material amounts of assets, income, borrowings or employees. The Ebro Foods Group has not extended guarantees of material amount to any of its associates.

The most significant figures for the Scotti Group, using estimated financial statements at December 31, 2016, are as follows:

<u>Thousands of euros</u>	<u>Dec 31, 2015</u>	<u>Dec 31, 2016</u>
Trademarks, other intangible assets and goodwill	47,117	53,676
Property, plant and equipment	76,689	66,108
Other non-current assets	9,517	9,803
Current assets	61,663	67,603
Cash	22,597	18,230
Non-current, non-financial liabilities	-27,727	-23,768
Financial liabilities	-57,423	-58,734
Current, non-financial liabilities	-52,630	-51,815
Non-controlling interests	-3,383	-2,668
	76,420	78,435
Ownership interest acquired	25%	40%
	19,105	31,374
Revenue	215,467	220,300
Profit for the year	2,392	-2,092
No. of employees	295	300

14. GOODWILL

The movements under goodwill in 2016 and 2015 (in thousands of euros) are shown below:

<u>Segment</u>	<u>CGU or groups of CGUs</u>	<u>YE15</u>	<u>Additions</u>	<u>Decreases & other</u>	<u>Impairment losses</u>	<u>Translation differences</u>	<u>YE16</u>
Herba rice	Danrice (Denmark)	14,524					14,524
Herba rice	Vogan (UK)	1,520				(205)	1,315
Herba rice	Riceland (Hungary)	2,125					2,125
Herba rice	Steve & Brotherton (UK)	1,928				(202)	1,726
Herba rice	Mundiriz (Morocco)	978			(183)	8	803
Herba rice	Suntra Group (Belgium & UK)	11,023				106	11,129
Herba rice	SOS business (Spain)	28,390					28,390
Herba rice	KECK (Germany)	14,606					14,606
Riviana US	Riviana Group (US)	293,148				9,639	302,787
Panzani France	Panzani Group	432,569	7,264				439,833
Pasta Americas	NWP Group - US	67,120				1,625	68,745
Pasta Americas	NWP Group - Canada	71,669				4,685	76,354
Pasta Europe	Garofalo (Italy)	57,049					57,049
Other	Jiloca, S.A.	129					129
Other	Harinas Santa Rita	0	10,200				10,200
		996,778	17,464	0	(183)	15,656	1,029,715
Total gross carrying amount		1,013,732	17,464			15,656	1,046,852
Accumulated impairment losses		(16,954)			(183)		(17,137)

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Segment	CGU or groups of CGUs	YE14	Additions	Decreases & other	Impairment losses	Translation differences	YE15
Herba rice	Danrice (Denmark)	14,524					14,524
Herba rice	Voqan (UK)	1,355				165	1,520
Herba rice	Riceland (Hungary)	2,126				(1)	2,125
Herba rice	Steve & Brotherton (UK)	1,952				(24)	1,928
Herba rice	Mundiriz (Morocco)	1,076			(183)	85	978
Herba rice	Suntra Group (Belgium & UK)	11,108				(85)	11,023
Herba rice	SOS business (Spain)	28,390					28,390
Herba rice	KECK (Germany)	14,606					14,606
Riviana US	Riviana Group (US)	249,458	14,911			28,779	293,148
Riviana US	ARI Group (US)	3,135			(3,430)	295	0
Panzani France	Panzani Group	417,449	15,120				432,569
Pasta Americas	NWP Group - US	61,999				5,121	67,120
Pasta Americas	NWP Group - Canada	67,640				4,029	71,669
Pasta Europe	Garofalo (Italy)	57,049					57,049
Other	Jiloca, S.A.	129					129
Other	Azucarera Ebergias, S.A.	600			(600)		0
		932,596	30,031	0	(4,213)	38,364	996,778
Total gross carrying amount		945,337	30,031			38,364	1,013,732
Accumulated impairment losses		(12,741)			(4,213)		(16,954)

The Group undertook several business combinations in 2016 and 2015. Note 5 outlines these transactions in detail. Other significant movements in 2016 and 2014 include increases due to exchange gains on goodwill allocated mainly to the Group's US and Canadian subsidiaries and the impairment loss recognized against the American Rice (ARI) business in 2015.

The goodwill balances were generated by business combinations. These asset were tested for impairment at year-end 2016 and 2015 (by an independent expert, Duff & Phelps); the resulting values were allocated to the cash-generating units or groups of cash-generating units indicated in the table above.

To test these assets for impairment, the Group calculated the value in use of each cash-generating unit (CGU) by discounting the associated cash flows, generally projected for a period of five years, and their terminal value, in turn calculated by projecting the last year's cash flows by a perpetuity growth rate. The cash flow projections were based on historical information and the best estimates of the managers of each CGU. The resulting CGU fair values were additionally cross-checked using comparable multiple methodology.

The growth rates used to extrapolate the cash flow projections beyond the projection horizon and the discount rates applied to the cash flow projections for the most important CGUs in 2016 (2015) were:

- In the European rice and pasta businesses, a discount rate of 6.4% on average (2015: 6.0%) and a perpetuity growth rate of between 1.4% and 1.7% (1.7% - 2%). In Spain, the discount rate used was 6.7% (6.5%) and the growth rate applied was 1.6% (1.5%). In Italy, the discount and growth rates were 7.1% (6.3%) and 1.2% (1.3%), respectively.
- In the US rice and pasta businesses, a discount rate of 7.3% on average (6.9%) and a perpetuity growth rate of 2.3% (between 2.1 and 2.4%).

The key assumptions used to value each CGU include the average rate of sales revenue growth modeled, the compound average annual rate of growth in EBITDA, the trend in working capital expressed as a number of days of sales and average annual capital expenditure, modeled as a percentage of projected EBITDA.

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As for the assumptions used to calculate the recoverable amount of the various CGUs to which goodwill has been assigned, management believes that no reasonably-possible change in the key assumptions used would cause their carrying amounts to exceed their recoverable amounts. More specifically, neither a 20% increase in the discount rates nor a 20% variation in the growth rates used would trigger significant impairment charges. This sensitivity analysis is applicable to all of the CGUs itemized in the table above, with the exception of the 'NWP Group - Canada' CGU, whose goodwill would be subject to potential impairment if the discount rate modeled were increased by 10%.

15. INVENTORIES

The breakdown of inventories at year-end 2016 and 2015 (in thousands of euros):

ITEM	YE16	YE15
Goods held for resale	11,122	12,924
Raw materials	230,261	201,765
Consumables and replacement parts	7,018	7,047
Containers	31,120	28,616
Work in progress	20,512	22,158
Finished goods	166,813	150,800
By-products and waste	4,321	3,334
Prepayments to suppliers	24,500	19,334
GROSS CARRYING AMOUNT OF INVENTORIES	495,667	445,978
Inventory impairment provision	(6,846)	(7,399)
CARRYING AMOUNT OF INVENTORIES	488,821	438,579

At both reporting dates, the balance of prepayments to suppliers presented on the face of the consolidated balance sheet mainly comprised payments made to rice growers and rice suppliers. In addition, the Group was contractually committed to the purchase of 81,314 thousand euros of rice from rice growers, cooperatives and exporters at year-end 2016 (79,135 thousand euros at year-end 2015). In addition, the Group was contractually committed to raw material purchases in the US, Canada, France and Italy totaling 119,319 thousand euros (year-end 2015: 117,284 thousand euros).

The net provision for inventory impairment recognized in 2016 was 3,277 thousand euros (2015: 5,736 thousand euros), while 3,985 thousand euros of previously recognized provisions were utilized (3,024 thousand euros); exchange losses on inventories amounted to 155 thousand euros (253 thousand euros in 2015).

16. TRADE AND OTHER RECEIVABLES

The breakdown of this heading at year-end 2016 and 2015 (in thousands of euros):

ITEM	YE16	YE15
Due from customers	369,808	372,823
Due from associates	865	563
Sundry receivables	12,636	8,237
Provisions for impairment	(7,867)	(7,559)
TOTAL	375,442	374,064

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For terms and conditions relating to related-party receivables, refer to note 27. Trade receivables are non-interest bearing and are generally on terms of 30 to 85 days. As at December 31, 2016, the ageing analysis of trade receivables is as follows:

Ageing analysis	Gross carrying amount	Provision for impairment	Net carrying amount
Less than 3 months	360,792	(1,437)	359,355
Between 3 and 6 months	3,065	(279)	2,786
Between 6 and 12 months	758	(292)	466
Between 12 and 18 months	547	(506)	41
Between 18 and 24 months	255	(122)	133
Over 24 months	4,391	(4,148)	243
	369,808	(6,784)	363,024

No material amounts of trade and other receivables were past due at year-end and not impaired.

In 2016, the Group recognized net provisions for the impairment of trade and other receivables of 462 thousand euros (2015: 1,370 thousand euros), utilized 276 thousand euros (2015: 3,103 thousand euros), added 126 thousand euros as a result of business combinations (348 thousand euros) and recognized exchange gains on receivables of 4 thousand euros (exchange losses of 271 thousand euros).

17. CASH AND CASH EQUIVALENTS: CASH AND SHORT-TERM DEPOSITS

The breakdown of this heading at year-end 2016 and 2015 (in thousands of euros):

ITEM	YE16	YE15
Cash on hand and at banks	291,030	206,994
Short-term deposits and cash equivalents	310	4,644
TOTAL	291,340	211,638

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of the Group's cash and cash equivalents was 291,340 thousand euros at year-end 2016 (211,638 thousand euros at year-end 2015). Throughout the year the Group companies invested their occasional cash surpluses in repos and equivalent securities in order to generate a return on these balances. These investments are mainly denominated in euros, with a portion denominated in US dollars. The average annual return earned on these investments was around 0.35% in 2016 (2015: 1.00%).

18. SHARE CAPITAL, RESERVES, EARNINGS PER SHARE AND DIVIDENDS

18.1 Capital and reserves

Issued capital

The Parent's share capital consisted of 153,865,392 fully subscribed and paid bearer shares with a par value of 0.60 euros each at both year-ends. The Company's shares are traded on the Spanish stock exchanges.

The shareholders with direct or indirect interests of more than 3% in the capital of Ebro Foods, S.A. at December 31, 2016 (2015), based on information furnished by the said shareholders to Spain's securities market regulator, the CNMV, and to Ebro Foods, S.A., are as follows:

- Grupo Tradifín, S.L., which directly holds 12,248,809 (0) shares, representing a 7.961% interest (0%).
- Heralianz Investing Group, S.L., which directly holds 12,248,809 (0) shares, representing a 7.961% interest (0%).
- Sociedad Anónima Damm: indirect holder, via Corporación Económica Damm, S.A., of 17,613,610 shares (15,426,438), representing an 11.447% interest (10.026%).
- Sociedad Estatal de Participaciones Industriales: indirect holder, via Alimentos y Aceites, S.A., of 15,940,377 shares (15,940,377), representing a 10.36% interest (10.36%).
- Corporación Financiera Alba: indirect holder, via Alba Participaciones, S.A., of 15,400,000 shares (15,400,000), representing a 10.009% interest (10.009%). Note that the shares owned by Corporación Financiera Alba, S.A. have been held directly and indirectly since March 2017.
- Juan Luis Gómez-Trenor Fos: indirect holder, via Empresas Comerciales e Industriales Valencianas, S.L., of 11,808,970 shares (10,924,443), representing a 7.675% interest (7.1%). Note that Mr. Juan Luis Gómez-Trenor Fos passed away on January 22, 2017. According to the information provided to the CNMV by Empresas Comerciales e Industriales Valencianas, S.L., as of February 15, 2017, his estate had not yet been settled.

Note that Instituto Hispánico del Arroz, S.A. was a significant shareholder of Ebro Foods, S.A., with a 15.921% interest, until December 28, 2016, the date on which its shares were transferred to its two shareholders, Grupo Tradifín, S.L. (7.961%) and Heralianz Investing Group, S.L. (7.961%). The 15.921% shareholding of Instituto Hispánico del Arroz, S.A. was, until December 22, 2016, held in part directly (8.963%) and in part indirectly (6.959%) via Hispafoods Invest, S.L.; between December 22 and December 28, 2016, the full 15.921% interest was held directly.

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Share premium

As for the share premium, the Consolidated Text of the Spanish Corporate Enterprises Act permits the use of the share premium account balance to increase share capital and provides no specific limitation with respect to its availability. Virtually all of the share premium account was distributed in 2009 by means of the distribution of an in-kind special dividend paid in own shares.

Restricted reserves

Spanish enterprises that generate a profit are required to earmark 10% of net profit for the year to a legal reserve until such reserve is equivalent to 20% of share capital. The legal reserve cannot be distributed except in the event of dissolution but it can be used to offset losses insofar as other reserves are not available for this purpose, and to increase capital by the amount that exceeds 10% of capital after the increase. The Parent had fully endowed its legal reserve at both year-ends.

As for the restrictions on the reserves of the Group's subsidiaries, it is worth noting the existence of legal reserves at the Spanish subsidiaries and some of the international subsidiaries totaling approximately 23.3 million euros (20.4 million euros at year-end 2015) that are subject to the same regime as the Parent's legal reserve, as detailed above. The portion of such reserves arising on consolidation is included under retained earnings.

Consolidated retained earnings includes 38,531 thousand euros (year-end 2015: 38,531 thousand euros) corresponding to Herba Foods S.L. In addition, certain foreign subsidiaries have retained earnings which have not been distributed since consolidation within the Ebro Group. In both instances, the distribution of such retained earnings is contingent upon payment of the corresponding income tax or withholdings. Note that the taxable event - income tax or withholdings - would accrue whenever such distribution is ratified, something not expected to occur in the short or medium term.

Translation differences - foreign exchange translation differences reserve

The foreign exchange translation differences reserve is used to recognize the exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to recognize hedges of net investments in these entities.

The breakdown of translation differences at year-end by company (in thousands of euros) is provided below:

	YE16	YE15
Herba companies	(4,176)	5,414
RIVIANA Group (US)	52,166	36,798
ARI Group (US)	33,605	29,370
NWP Group (US)	63,280	41,784
Ebro Alimentación Mexico	(144)	(57)
Garofalo Group (Italy) - International business	27	26
TOTAL	144,758	113,335

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Own shares

In 2016, the Parent had the power to buy back and sell own shares under the scope of the authorization granted at the Annual General Meeting held on June 3, 2015 for a period of five years (and duly notified to the CNMV in keeping with prevailing legislation). In 2016, the Company bought back 28,553 shares, sold 2,106 and delivered 26,447 own shares to employees. The Company did not hold any own shares as treasury stock at December 31, 2016.

In 2015, the Parent had the power to buy back and sell own shares under the scope of the authorization granted at the Annual General Meetings held on June 15, 2011 and June 3, 2015 for a period of five years (as duly notified to the CNMV in keeping with prevailing legislation). In 2015, the Company bought back 27,354 shares, sold 22,171 and delivered 24,646 own shares to employees. The Company did not hold any own shares as treasury stock at December 31, 2015.

18.2 Earnings per share

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the non-cumulative redeemable and convertible preference shares, of which Ebro Foods, S.A. did not have any at either year-end) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares (Ebro Foods, S.A. did not have any dilutive potential ordinary shares at either year-end).

The following table reflects the income and share data used in the basic and diluted EPS computations:

	2016	2015
Profit from continuing operations attributable to ordinary equity holders of the parent	169,724	144,846
Loss from discontinued operations attributable to ordinary equity holders of the parent	0	0
Profit attributable to ordinary equity holders of the parent	169,724	144,846
Interest on non-cumulative convertible and redeemable preference shares	0	0
Profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution (non-cumulative convertible and redeemable preference shares)	169,724	144,846

	2016	2015
	Thousands	Thousands
Weighted average number of ordinary shares for basic EPS(*)	153,865	153,883
Effects of dilution from:		
Share options	0	0
Redeemable preference shares	0	0
Weighted average number of ordinary shares adjusted for the effect of dilution	153,865	153,883

(*) Takes into account the weighted average effect of movements in own shares during the year.

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There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorization of these financial statements.

18.3 Dividends

Distribution of the dividends approved at the Annual General Meeting of June 1, 2016 at which the Company's shareholders ratified the motion to pay a cash dividend with a charge against unrestricted reserves and profit for 2015 of 0.54 euros per share, payable in the course of 2016. The ordinary dividend was paid out in three equal instalments of 0.18 euros per share on April 1, June 29 and October 3, 2016.

<u>Dividends declared, paid and proposed:</u>	2016	2015
Dividends paid:		
Final dividend paid from 2015: 0.54 euros (2014: 0.51 euros)	83,086	78,472
Special 2014 dividend paid in 2015: 0.15 euros	0	23,079
	83,086	101,551
Proposed dividend subject to approval at the Annual General Meeting (not recognized as a liability at year-end)		
Dividend pending payment in 2016: 0.57 euros (2015: 0.54 euros)	87,703	83,086
	87,703	83,086

19. DEFERRED INCOME

This heading essentially includes grants relating to assets, greenhouse gas emission allowances received (up until 2013) and other items of deferred income that are not individually material. The movements under this heading in 2016 and 2015:

	Government grants		Emission allowances		Other deferred income		TOTAL	
	YE16	YE15	YE16	YE15	YE16	YE15	YE16	YE15
Opening balance	3,341	3,402	63	73	1,014	934	4,418	4,409
Additions due to business combinations	948	0	0	0	0	0	948	0
Decreases due to disposals	0	0	0	0	0	0	0	0
Grants received	0	381	0	0	0	0	0	381
Additions due to GHG allowances	0	0	0	0	0	0	0	0
Other increases/decreases	(13)	53	0	(10)	0	(27)	(13)	16
Translation differences	(11)	5	0	0	21	107	10	112
Reclassified to profit or loss from continuing operations	(366)	(500)	0	0	(248)	0	(614)	(500)
Closing balance	3,899	3,341	63	63	787	1,014	4,749	4,418

The year-end balances mainly comprise government grants relating to assets awarded to various Group companies in relation to certain fixed asset investment projects (to date these companies have satisfied all the conditions attached to their grant).

The breakdown of grants by maturity is as follows:

GRANTS RELATING TO ASSETS	Pending reclassification to profit or loss			
	< 1 year	2-5 years	> 5 years	Total
Breakdown of closing balance by maturity	458	1,293	2,148	3,899

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20. PROVISIONS FOR PENSIONS (POST-EMPLOYMENT BENEFITS) AND SIMILAR OBLIGATIONS

The reconciliation of the opening and closing balances under this heading (in thousands of euros) is as follows:

	YE16 Total	YE15 Total
Opening balance	45,326	42,144
Translation differences	(234)	1,661
Business combinations	256	488
Disposals	0	0
Amounts utilized and benefits paid	(10,456)	(9,397)
Amounts transferred to other accounts	0	0
Surplus provisions and employee departures	0	(85)
Amount provided for in the year for actuarial changes	6,586	196
Amount provided for in the year for unwind of discount	1,181	1,109
Amount provided for in the year for employee benefits expense	8,493	9,210
Amount provided for in the year for other operating expenses	5,337	0
Amount provided for in the year in respect of discontinued operations	0	0
Closing balance	56,489	45,326

The breakdown by type of post-employment commitment (in thousands of euros):

	YE16	YE15
Defined benefit obligations	27,945	23,933
Retirement bonuses and similar obligations	24,393	16,956
Senior management bonus schemes (note 27.7)	4,151	4,437
TOTAL	56,489	45,326

The types of commitments extended by company/segment are summarized below:

	Defined contribution pension commitments	Defined benefit pension commitments	Other defined benefit commitments	Retirement bonuses	Long- service bonuses	Termination or retirement benefits
Ebro Foods, S.A.					Yes (a)	
Riviana Group (US)	Yes	Yes (b)	Yes (b)			
NWP Group (USA & Canada)	Yes	Yes (b)	Yes (b)			
Panzani Group (France)				Yes (a)	Yes (a)	Yes (a)
Boost (Herba) (Belgium)	Yes (c) 2007	Yes (c) 2006				Yes (a)
Mundiriso (Herba) (Italy)						Yes (a)
Herba Bangkok and Ebro India						Yes (a)
Garofalo (Italy)						Yes (a)
Euryza (Herba) (Germany)		Yes (a)				
S&B Group (Herba) (UK)	Yes (d)	Yes (d)				
Ebro Group Germany		Yes (a)		Yes (a)		
Lassie Group (Netherlands)	Yes (e)	Yes (e)				
Herba Ricemills (Spain)				Yes (a)		

(a) Obligations not externalized. Managed and provided for in-house. Except for Garofalo (Italy), which has externalized a portion of its obligations.

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- (b) These obligations are managed externally. The administration, management and investment decision-making with respect to these assets are performed by a committee that is independent from the Company's management.
- (c) These became defined contribution obligations in 2007.
- (d) Obligations to current employees were switched to a defined contribution benefit arrangement in 2007, while former employees continue to receive a defined benefit scheme.
- (e) These became defined contribution obligations in 2014.

The next section outlines the most significant obligations on the basis of their relative materiality with respect to the overall obligation and/or because their specific circumstances warrant their individual disclosure.

20.1 Retirement bonuses and similar obligations

The breakdown by company or business is as follows:

	YE16	YE15
Panzani France Group (Panzani)	21,518	14,326
Herba Rice Group (Herba)	1,129	1,077
Garofalo (Italy)	541	529
Riviana American Group (Riviana)	852	558
Ebro Group Germany (Germany)	189	189
Ebro Foods, S.A.	155	157
Other minor obligations	9	120
SUBTOTAL	24,393	16,956

20.1.1 Ebro Foods, S.A.

The balance at year-end 2016 in respect of Ebro Foods, S.A. totals 155 thousand euros (year-end 2015: 157 thousand euros) and corresponds to the provision for the potential obligation to provide long-service bonuses to some of its employees. The Group is not legally required to externalize this obligation. The expense recognized in this respect was 25 thousand euros in 2016 (2015: 7 thousand euros).

20.1.2 Panzani Group companies

The Panzani Group companies have obligations to their employees, mainly in respect of retirement bonuses (provisions of 15,062 and 13,262 thousand euros at year-end 2016 and 2015, respectively) and long-service bonuses (provisions of 1,119 and 1,064 thousand euros at year-end 2016 and 2015, respectively) and, since 2016, provisions for termination benefits (5,337 thousand euros at year-end 2016).

France has introduced a regulatory change to how companies must account for their termination commitments to employees, as a result of which the Ebro Group's French subsidiaries have had to recognize a provision in the amount of 5,337 thousand euros in respect of past-service costs related to these commitments. The provision was recognized in the 2016 consolidated income statement (note 8).

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These provisions were recognized based on actuarial calculations performed internally. The related net expenditure recognized in 2016 amounted to 2,542 thousand euros having charged 1,445 thousand euros directly in equity as actuarial losses (in 2015, the Group recognized expenditure of 797 thousand, 455 thousand euros of which was credited directly in equity as actuarial gains). These provisions are funded in-house, albeit not by specific assets. The interest rate applied in 2016 was 1.2% (2% in 2015). The increase in this provision in 2016 was mainly due to the impact of the updated discount rate applied (with respect to that applied in 2015).

20.1.3 Herba Group companies

The collective bargaining agreements applicable at the subsidiaries in Italy, Belgium, Thailand and India include termination benefit obligations (voluntary or otherwise) for their employees. These provisions were recognized based on actuarial calculations performed internally in some instances and externally in others. The related provision at year-end 2016 amounted to 868 thousand euros (813 thousand euros at year-end 2015). Expenditure in 2016 was 104 thousand euros (2015: 70 thousand euros).

In addition, some Herba Group subsidiaries (S&B Herba in the UK, Boost in Germany, Danrice in Denmark, TBA Suntra UK and Ebro Group Netherlands from 2014) have defined contribution pension plans for some of their employees under which they make an annual contribution based on a percentage of qualifying employees' salaries. Expenditure in 2016 was 1,458 thousand euros (2015: 1,401 thousand euros).

Lastly, in keeping with the rice sector's collective bargaining agreement, Herba Ricemills, S.L. has retirement bonus obligations that have been externalized under an insurance policy; the related provision at year end 2016 was 261 thousand euros (264 thousand euros at year-end 2015). The related expenditure recognized in 2016 was 0 thousand euros (2015: 201 thousand euros), of which 0 thousand euros (2015: 136 thousand euros) was charged directly against equity as actuarial losses.

20.1.4 Garofalo (Italy)

The applicable collective bargaining agreement includes termination benefit obligations (voluntary or otherwise) for employees. This obligation was externalized in 2008; the provision for the obligation funded internally and accrued until the date of externalization continues to be recognized through settlement. The provision is updated annually on the basis of external actuarial calculations. The related provision at year-end 2016 amounted to 541 thousand euros (529 thousand euros at year-end 2015). The discounting of this provision implied a finance cost of 13 thousand euros in 2016 (2015: 11 thousand euros), actuarial losses charged directly to equity of 33 thousand euros (actuarial gains credited in equity of 31 thousand euros in 2015) and payments totaling 34 thousand euros (2015: 154 thousand euros). The expense recognized in 2016 in respect of the obligation externalized since 2008 amounted to 379 thousand euros (2015: 371 thousand euros).

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20.1.5 Ebro Group Germany

This company's business was sold to third parties at the end of 2013 and all its employees' contracts were transferred to the buyer. Accordingly the provisions were set up and recognized for accounting purposes for the services accrued by those employees until December 31, 2013.

In addition to the defined benefit obligations detailed below, these former Birkel Group companies accrued retirement bonus benefits until December 31, 2013 (giving rise to a provision of 189 thousand euros at both year-ends). This provision was recognized based on actuarial calculations performed in-house. This provision is funded in-house, albeit not by specific assets.

20.1.6 Riviana Foods, Inc. and NWP, Inc.

In addition to the defined benefit obligations detailed below, the Riviana and NWP companies offer their US employees voluntary contribution plans. These companies match their employees' contributions. Total expenditure in connection with these plans was 2,042 thousand euros in 2016 (2015: 1,628 thousand euros).

20.2 Pension and other defined benefit obligations

The breakdown by company:

<u>Defined benefit</u> In thousands of euros	Year-end 2016			Year-end 2015		
	Pension commitments	Other commitments	Total	Pension commitments	Other commitments	Total
Riviana Group (US)	11,158	-4,482	6,676	10,251	-4,279	5,972
NWP Group (USA & Canada)	4,427	1,336	5,763	4,647	1,232	5,879
Boost (Herba) (Belgium)	438		438	309		309
Euryza (Herba) (Germany)	5,614		5,614	4,631		4,631
S&B Group (Herba) (UK)	7,084		7,084	4,751		4,751
Ebro Group Germany	2,370		2,370	2,391		2,391
	31,091	-3,146	27,945	26,980	-3,047	23,933

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The reconciliation of the opening and closing balances included in the table above, broken down using geographic criteria, deemed the most appropriate and uniform criterion in terms of the underlying factors generating these obligations, in 2016 and 2015:

Thousands of euros	Riviana Group		NWP Group		Europe	
	YE16	YE15	YE16	YE15	YE16	YE15
Provisions for pensions - obligations						
Opening balance	31,922	29,024	27,065	24,023	23,702	23,666
Business combinations	0	0	0	0	0	0
Charge for the year	3,360	2,930	1,415	1,245	792	837
Actuarial changes	1,420	-1,130	-373	573	5,406	-1,034
Benefits paid	-7,000	-2,256	-4,976	-1,622	-612	-710
Transfers between plans	0	0	0	0	187	0
Translation differences	867	3,354	751	2,846	-2,221	943
Closing balance	30,569	31,922	23,882	27,065	27,254	23,702
Provisions for pensions - plan assets						
Opening balance	-25,951	-22,892	-21,186	-20,225	-11,620	-10,895
Business combinations	0	0	0	0	0	0
Return on plan assets	-1,125	-839	-709	-809	-403	-398
Contributions by employer	-2,786	-2,860	-960	-580	-171	-181
Actuarial changes	-334	1,046	292	1,130	-1,280	-28
Benefits paid	7,000	2,256	4,976	1,622	291	493
Transfers between plans	0	0	0	0	-107	0
Translation differences	-697	-2,661	-532	-2,324	1,542	-611
Closing balance	-23,893	-25,950	-18,119	-21,186	-11,748	-11,620
Net closing balance - benefit asset	6,676	5,972	5,763	5,879	15,506	12,082
Net asset recognized on the balance sheet	6,676	5,972	5,763	5,879	15,506	12,082

Net annual cost by component	Riviana Group		NWP Group		Europe	
	YE16	YE15	YE16	YE15	YE16	YE15
Current service cost	2,088	1,741	488	296	59	58
Borrowing costs	1,272	1,189	927	949	733	779
Expected return on plan assets	-1,125	-839	-709	-809	-403	-398
	2,235	2,091	706	436	389	439
Actuarial changes recognized directly in consolidated equity: (gains)/losses	1,086	-84	-81	1,703	4,126	-1,062

Actuarial assumptions	YE16	YE15	YE16	YE15	YE16	YE15
Discount rate	4.12%	4.35%	3.80%	3.95%	1% - 2.7%	2.2% - 4%
Future salary increases	3.00%	3.00%	0.00%	0.00%	1.5% - 3.0%	1.5% - 3.0%
Expected return on plan assets	4.12%	4.35%	3.80%	3.95%	1% - 2.7%	2.2% - 4%

In general these obligations relate to pension plans for most of the employees of the Riviana Group and the NWP Group and for certain employees of the European subsidiaries. At the S&B Group, these obligations now only correspond to former employees (the obligations in respect of current employees were transferred to defined contribution arrangements from January 1, 2006). The Riviana Group has not been adding new employees to this defined benefit scheme since February 2006. And at the Canadian subsidiary of the NWP Group (dry pasta division), the pension plan was liquidated by settling the benefits accrued by employees with effect until December 31, 2009.

In the case of the Riviana Group and the NWP Group, the other commitments relate to health insurance, prescription drug plans and life insurance provided to just some of their employees.

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21. OTHER PROVISIONS

The movements under this heading in 2016 and 2015 (in thousands of euros) are shown below:

Movements under other provisions	2016 Total	2015 Total
Opening balance	14,256	12,355
Translation differences	22	67
Business combinations	0	70
Amounts utilized and payments	(2,166)	(2,535)
Additions with a charge to profit or loss	7,757	4,399
Unused amounts reversed with a credit to profit or loss	(1,371)	(100)
Closing balance	18,498	14,256

An analysis by underlying concept and company/business (in thousands of euros):

Breakdown of other provisions by concept	YE16	YE15
Lawsuits and disputes	14,898	12,303
Modernization and restructuring plan	1,306	705
Sundry other contingencies of insignificant amount	2,294	1,248
	18,498	14,256

	YE16	YE15
Ebro Foods, S.A.	11,520	9,020
Panzani Group	2,610	2,301
Herba Group	2,455	1,032
Riviana Group	512	391
Birkel Group	545	560
Other	856	952
TOTAL CONTINUING OPERATIONS	18,498	14,256

21.1 Provisions covering the outcome of lawsuits related to the sales of the sugar and dairy businesses

The provisions recognized to cover the outcome of lawsuits related to the sales of the sugar business (sold in 2009) and the dairy business (sold in 2010) in connection with the reps and warranties extended to the buyers of these businesses under which an unfavorable ruling in these lawsuits would have the effect of reducing the sale-purchase prices for these business. Additions to this provision (or reversals thereof) imply an adjustment to the sale price and are accordingly recognized as a reduction (or increase) in profit in the year in which they are recognized.

These lawsuits had been substantially resolved by year-end 2013, so that the related provision stood at zero. However, in the course of 2014 a number of smaller-sized disputes came to light. Management determined it was necessary to recognize a provision in respect of certain of these cases in light of the possible outflow of resources in the future.

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In addition, in August 2014, Grupo Lactalis Iberia, S.A. passed the proposed ruling ("Proposed Ruling") in respect of the disciplinary proceedings initiated by the investigative unit of Spain's anti-trust authority, the CNMC, against Spain's leading dairy transformation companies, including Puleva Food, S.L., in connection with alleged anti-competitive practices between 2003 and 2013, on to Ebro Foods, S.A. Ebro Foods, S.A. sold Puleva Food, S.L. to Grupo Lactalis Iberia, S.A. in 2010; the related share purchase agreement (the "SPA") included a liability regime covering future contingencies. Under this regime, Ebro Foods, S.A., as seller, could be held liable for any fine imposed on Puleva Food, S.L. with respect to developments taking place prior to the sale.

The Proposed Ruling qualifies the conduct investigated as a very serious infraction of article 62.4.a) of Spain's Anti-Trust Act and recommends that the Board of the CNMC hand down the fine contemplated in article 63 of this same piece of legislation. Grupo Lactalis Iberia, S.A. and Puleva Food, S.L., in keeping with the procedure agreed upon in the SPA, duly presented statements outlining their pleas against the Proposed Ruling, categorically denying the conduct charged therein.

The CNMC ruling issued by its Board on February 26, 2015 was received on March 3, 2015. It hands down a fine against Puleva Food, S.L. of 10,270 thousand euros. Based on the information currently available, Ebro Foods, S.A. believes it has solid arguments for defending its position in these lawsuits and so stated in the appeal lodged before the corresponding judicial bodies in September 2015. However, it continues to classify the likelihood of an outflow of resources embodying economic benefits as probable; accordingly, the related provision recognized in the 2015 and 2016 financial statements is unchanged with respect to the amount provided for in 2014.

In addition, in 2016, the Group recognized a provision of 2,500 thousand euros to cover the litigation risk associated with the tax assessments signed under protest in 2016 in the wake of an inspection of the Puleva Group in respect of the years during which it still belonged to Ebro's consolidated tax group.

21.2 Status of other lawsuits and disputes

In addition to the lawsuits outlined in section 21.1 above, at year-end 2016, the Group has recognized provisions for other lawsuits and disputes in the amount of 3,658 thousand euros (year-end 2015: 3,563 thousand euros).

These provisions relate to court proceedings underway and other claims; in the directors' opinion, after taking appropriate legal advice from its in-house and external counsel, the outcome of these legal claims will not give rise to any significant liabilities beyond the amounts provided at year-end.

The breakdown of the maximum liability under these legal claims (items 21.1 and 21.2 above) is shown below (in thousands of euros):

	YE16	YE15
Tax and customs assessments signed under protest	4,308	1,538
Judicial review contingencies	10,982	10,687
Other lawsuits	621	645
	15,911	12,870

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22. FINANCIAL LIABILITIES

The breakdown of the items comprising financial liabilities (in thousands of euros) is provided in the table below:

Financial liabilities	Year-end 2016		Year-end 2015	
	Non-current	Current	Non-current	Current
Bank loans	406,607	80,399	368,777	80
Bank credit facilities		159,585		197,488
Other financial liabilities	88,824	1,936	69,977	3,409
Payable to associates	0	0	0	0
Financial guarantees and deposits received	59	40	57	0
Total financial liabilities	495,490	241,960	438,811	200,977

The breakdown of the Group's bank borrowings by business segment or company and the corresponding maturities (in thousands of euros):

Breakdown of bank borrowings by segment or company	YE15	YE16	2018	2019	2020	2021	Other
- Of Ebro Foods, S.A.	348,613	387,076	75,756	49,972	180,236	81,112	0
- Of Herba Group	4,187	3,371	932	905	503	243	788
- Of Panzani Group	270	2,092	295	281	281	281	954
- Of Garofalo Group	15,474	13,883	1,654	1,720	1,567	1,406	7,536
- Of Arotz Foods, S.A.	233	185	48	48	48	41	0
Non-current bank borrowings	368,777	406,607	78,685	52,926	182,635	83,083	9,278
- Of Ebro Foods, S.A.	45,968	80,626					
- Of Panzani Group	80,082	68,503					
- Of Herba Group	57,060	79,196					
- Of Garofalo Group	14,410	11,611					
- Of other companies	48	48					
Current bank borrowings	197,568	239,984					
Total bank borrowings	566,345	646,591					

The breakdown of the above borrowings by currency of denomination is as follows:

CURRENCY	YE16	YE15
EUR (euro)	366,956	285,676
USD (US dollar)	258,174	267,549
INR (Indian rupee)	16,502	10,997
DKK (Danish kroner)	287	0
EGP (Egyptian pound)	2,527	2,077
THB (Thai baht)	1,710	0
HUF (Hungarian forint)	435	46
Total	646,591	566,345

The long-term bank loans denominated in US dollars were taken out to finance the investments in Riviana Inc (2004) and New Word Pasta Company (2006). These long-term loans are guaranteed by Group subsidiaries Herba Food, S.L., Herba Ricemills, S.L., Panzani SAS and Riviana Foods Inc. and correspond to:

- The bilateral loan agreement entered into in November 2006 and amended in April 2009, June 2010 and again in May 2015, in an initial amount of 190 million US dollars, reduced to 171 million US dollars in the wake of the last amendment. This loan is repayable in four six-monthly instalments of 42.75 million US dollars starting in May 2020. The annual rate of interest applicable to this dollar-denominated loan is benchmarked against 1-, 3-, 6- or 12-month LIBOR plus a market spread.

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- A bilateral 3-year loan agreement arranged in June 2015, in the amount of 100 million US dollars, reduced to 80 million US dollars in 2016 as a result of an early repayment of 20 million US dollars, repayable at maturity. The annual rate of interest applicable to this dollar-denominated loan is benchmarked against 3-month LIBOR plus a market spread.

In 2014, the Group arranged two bilateral loans in the amounts of 50 and 30 million euros on May 27 and July 1, respectively. Both loans are denominated in euros and were repayable in a single bullet payment upon maturity. The 50 million euro loan was originally due on June 30, 2017 but was repaid ahead of maturity in 2016. The 30 million euro loan originally fell due on June 25, 2015; however, the parties have availed of the option of agreeing up to two annual extensions to this facility's maturity. The annual rate of interest applicable to this loan is 12-month EURIBOR plus a market spread.

Three new loans were arranged in 2016, all of which are classified as non-current. Specifically, the Group arranged two separate 25 million euro loans on March 30 and another 100 million euro loan on May 30. These loans are denominated in euros and are repayable in a single bullet payment at maturity, on March 29 and 31, 2019 and May 31, 2020, respectively. These loans bear interest at 3-month EURIBOR plus a market spread.

Lastly, on July 10, 2014, a 50 million euro loan was arranged with a bank; this facility is repayable in a single bullet payment on July 10, 2017. The annual rate of interest applicable to this loan is 3-month EURIBOR plus a market spread.

As for the rest of the Group's bank borrowings, at year-end 2016 the various companies had arranged unsecured credit facilities with an aggregate limit of 374 million euros (year-end 2015: 320 million euros), of which 160 million euros (197 million euros) had been drawn down.

The Panzani Group's credit facilities (with a drawdown limit at both year-ends of 80 million euros) are secured by its accounts receivable. Some of the Garofalo Group's credit facilities are secured by a mortgage over its factory and site in Italy for up to 62.7 million euros.

The Group also had the following reverse factoring, receivable discounting, and trade finance lines and had issued the following sureties and other bank guarantees at year-end:

At year-end 2016	Amount drawn down	Amount undrawn	Total limit
CREDIT FACILITIES ARRANGED			
Reverse factoring, receivable discounting and trade finance	8,248	22,178	30,426
Bank guarantee lines (note 26)	31,571	85,811	117,382
Consolidated Group total	39,819	107,989	147,808

At year-end 2015	Amount drawn down	Amount undrawn	Total limit
CREDIT FACILITIES ARRANGED			
Reverse factoring, receivable discounting and trade finance	711	14,381	15,092
Bank guarantee lines	42,270	73,188	115,458
Consolidated Group total	42,981	87,569	130,550

The average rate of interest accrued on current loans in 2016 was 0.75% (2015: 1.0%).

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The bank loans require compliance with a series of covenants, specifically a series of ratios calculated on the basis of the consolidated financial statements of the Ebro Foods Group, throughout the term of the loans. Any breach of these covenants would increase the related borrowing costs and in some cases would trigger an early repayment requirement. The Group was in compliance with these covenants at both year-ends.

The breakdown of other financial liabilities at December 31, 2016 and 2015:

Breakdown of other financial liabilities	Year-end 2016		Year-end 2015	
	Non-current	Current	Non-current	Current
Garofalo: put option granted over 48% - note 26	63,907	0	61,550	0
Ingredients Group: put option granted over 20% - note 26	11,101	0	0	0
Santa Rita Harinas: put option granted over 48% - note 5	5,456	0	0	0
Santa Rita Harinas: deferred purchase price for 52% - note 5	1,000	0	0	0
Garofalo: financing provided by non-financial entities	4,968	1,156	5,750	1,114
Other financial liabilities	2,392	780	2,677	2,295
Total financial liabilities	88,824	1,936	69,977	3,409

23. OTHER NON-FINANCIAL LIABILITIES

These relate to various payables that are not material on an individual basis.

24. TRADE AND OTHER PAYABLES

Set out below are the movements in this heading:

	YE16	YE15
Trade accounts payable	302,091	312,373
Other accounts payable	44,871	38,374
Employee benefits payable	46,878	47,504
Payable to associates	56	163
TOTAL	393,896	398,414

Trade payables are non-interest bearing and are normally settled on 60-80 day terms. Other payables are also non-interest bearing and have an average term of three months; they mainly correspond to payables related to the purchase of items of property, plant and equipment, the grant of trade discounts and rebates, and advertising and marketing initiatives.

25. TAX MATTERS

Year-end balances receivable from and payable to the tax authorities (in thousands of euros):

	Taxes receivable		Accounts payable	
	YE16	YE15	YE16	YE15
VAT and personal income tax	32,364	28,953	(9,512)	(8,662)
Social security	231	183	(1,810)	(1,510)
Grants pending collection	0	405		
Other public authorities	48	1,657	(2,411)	(2,634)
Total taxes receivable/payable	32,643	31,198	(13,733)	(12,806)
Income tax - tax payable/refundable	26,441	18,536	(12,966)	(11,777)

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Certain Group companies file consolidated tax returns in keeping with applicable tax and other legislation prevailing in each country. The companies that file under a consolidated tax regime are: most of the Spanish companies (Spanish tax group), the Riviana Group (US), the Panzani Group (France), the NWP Group (US) with its Canadian subsidiary and the Group companies resident in Germany and the Netherlands for tax purposes.

The statutory corporate income tax rates vary from one country to another, the most significant (on account of their relative materiality) being the rates prevailing in: Spain - 25% (28% in 2015); France - 33.3% (set to fall on a staggered basis to 28% over the next three years); the US - 37.5%; Germany - 30%; the Netherlands - 25.5%; Italy - 27.5%; and the UK - 20%. The table provided later on in this note presents the impact of the national rates other than 25% (benchmark Spanish rate) under the dedicated line item, 'Impact of differing tax rates (taxable income)'.

It is important to consider certain extraordinary developments arising in 2016 and 2015 in analyzing the year-on-year trend in the Group's tax expense. The major components of income tax expense for the years ended December 31, 2016 and 2015 are:

Thousands of euros	<u>2016</u>	<u>2015</u>
- Income tax expense for the year	85,080	82,099
a) Impact of change in income tax rate in Spain in 2014 and from 2015	0	(25)
b) Impact of change in income tax rate in France from 2017 until 2019	(5,191)	0
c) Deferred tax liabilities subject to reversal	3,702	0
d) Reversal of deferred taxes due to compliance with tax obligations	0	(3,040)
	83,591	79,034

- a) Impacts deriving from the reduction in the statutory income tax rate in Spain in 2014 and from 2015: The corporate income tax rate applied in Spain was 30% until 2014. This rate was cut to 28% in 2015 and is 25% from 2016 on.
- b) Impacts deriving from the reduction in the statutory income tax rate in France in 2016 and from 2017: The general corporate income tax rate applied in France was 33.3% until 2016. This rate will be reduced on a staggered basis to 28% between 2017 and 2018. The Group recognized the effects that the reduction in the income tax rate in France will have on its various deferred taxes at year-end 2016.
- c) In Spain, Royal Decree-Law 3/2016 was published in the official state journal on December 2, 2016 enacting tax measures designed to consolidate the public finances and urgent welfare measures. The purpose of this piece of legislation was to incorporate certain measures aimed at reducing the public deficit and correcting economic imbalances into Spanish legislation. One of the measures taken in the corporate income tax arena affects the inclusion of the reversal of impairment losses on investments in subsidiaries that were tax deductible.

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Specifically, the impairment losses on investments that were deductible for tax purposes until 2013 and are still pending reversal must be reversed on an accelerated basis by including them, at a minimum, in taxable income in equal parts in each of the first five tax periods commencing on January 1, 2016. As a result, the amount included in the table above of 3,702 thousand euros is mainly the result of Royal Decree-Law 3/2016. The tax losses originated by equity investments in subsidiaries will now only be tax deductible if a subsidiary is wound up or liquidated, or, in the case of its disposal between 2016 and 2020, both years inclusive, in respect of the portion of the deducted tax loss that has yet to be reversed.

- d) The NWP Group (US) had tax credits that it utilized in 2010, contingent upon compliance with certain tax obligations. Having met these obligations, either through compliance or prescription, the deferred tax liability recognized to cover this potential commitment was reversed in 2014 and 2015.

The Group's income tax expense for the year ended December 31, 2016 is quantified for each company on the basis of tax rate (effective rate) expected to apply in the current annual reporting period, adjusted for application of prevailing tax provisions. The Ebro Group's resulting effective tax rate (measured as corporate income tax expense, without including the effects itemized above, as a percentage of pre-tax profit) was 32.80% in 2016 (35.74% in 2015). The decrease in this percentage is mainly attributable to: (i) a lower statutory income tax rate in Spain and in other countries such as the UK; (ii) the fact that the Group expects to utilize more tax credits in 2016 than in 2015; and (iii) the fact that some of the gains obtained on the sale of certain assets are exempt from this tax.

Elsewhere, the Ebro Group's overall rate of tax effectively paid in 2016 (measured as the cash outlay as a percentage of pre-tax profit) was 29.02% (28.09% in 2015).

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The breakdown of the tax expense accrued by the consolidated Group in 2016 and 2015 (in thousands of euros) is provided below:

	2016		2015	
	Accounting	Tax	Accounting	Tax
Accounting profit before tax from continuing operations	259,410	259,410	229,722	229,722
Profit/(loss) before tax on sale of discontinued operations	0	0	0	0
Loss before tax recognized in equity	(6,946)	(6,946)	(13)	(13)
Net gains/(losses) on hedges of net investments recognized in translation differences	(12,289)	(12,289)	(37,569)	(37,569)
	240,175	240,175	192,140	192,140
Permanent differences	(19,462)	(19,462)	(12,195)	(12,195)
Tax losses generated during the year	2,689	2,689	2,089	2,089
Utilization of individual tax losses	(4,412)	(4,412)	(2,576)	(2,576)
Adjusted accounting profit	218,990	218,990	179,458	179,458
Temporary differences		(14,243)		7,874
Tax losses generated during the year		1,815		1,780
Utilization of tax losses		(6,358)		(4,389)
Adjusted taxable profit	218,990	200,204	179,458	184,723
Impact of differing tax rates (taxable income)	65,133	57,792	42,084	36,051
Taxable income of the Group	284,123	257,996	221,542	220,774
Tax calculated at statutory rate of 25% (28% in 2015)	71,031	64,499	62,032	61,817
Tax credits utilized	(1,211)	(681)	(278)	(35)
Tax payable	69,820	63,818	61,754	61,782
Adjustments in respect of prior-year's income tax	(2,244)		(336)	
Restatement of net deferred taxes	(705)		(1,271)	
Inspection assessments and fines	0		0	
Equivalent tax charges	11,692	10,516	9,383	8,503
Adjustment in respect of prior year's tax payable		2,391		123
Total tax expense	78,563	76,725	69,530	70,408
Tax expense, continuing operations	83,591		79,034	
Tax expense, sale of discontinued operations	0		0	
Tax expense, recognized directly in equity	(1,956)		(111)	
Tax expense, recognized directly in translation differences	(3,072)		(9,393)	
	78,563		69,530	

INCOME STATEMENT - INCOME TAX	2016	2015
Current tax expense, continuing operations	63,818	61,782
Current tax expense, sale of discontinued operations	0	0
Total deferred tax expense	7,393	287
Tax expense deferred in equity	(1,391)	(315)
Restatement of prior-year's income tax	(2,244)	(336)
Restatement of net deferred taxes	(705)	(1,271)
Equivalent tax charges	11,692	9,383
Inspection assessments and fines	0	0
	78,563	69,530

Tax expense, recognized directly in equity	2016	2015
Expense related to changes in subsidiaries' capital	0	0
Change in fair value of financial assets	(90)	51
Change due to actuarial gains/(losses)	(1,866)	(162)
	(1,956)	(111)

Net gains/(losses) on hedges of net investments recognized in translation differences' refers to the effect of the exchange differences recognized directly in equity under translation differences in connection with the natural hedge provided on the investments in Riviana and NWP by the dollar-denominated loans.

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Total expense for tax purposes less the withholdings and payments on account made during the year yields the amount of tax payable to the tax authorities in respect of current income tax.

The most significant temporary differences in 2016 and 2015:

- An increase of 12,289 thousand euros (37,659 thousand euros in 2015) due to net exchange gains derived from the US dollar-denominated loans hedging net investments.
- An increase of 5,506 thousand euros (479 thousand euros in 2015) due to the tax effect of the remeasurement to fair value of available-for-sale financial assets and the actuarial gains on pension obligations recognized directly in equity.
- A decrease of 20,227 thousand euros (4,446 thousand in 2015) due to the amortization for tax purposes of the goodwill arising on the acquisition of foreign companies.
- An increase of 3,971 thousand euros (a decrease of 24,559 thousand euros in 2015) in relation to temporary differences at NWP, mainly due to the amortization for tax purposes of trademarks and other assets, and the recognition in different periods for accounting versus tax purposes of items in provision, accrual and trademark impairment charge accounts.
- A decrease of 26,431 thousand euros (5,287 thousand euros in 2015) in relation to temporary differences at Riviana, mainly due to the amortization for tax purposes of trademarks and other assets, and the recognition in different periods for accounting versus tax purposes of items in provision and accrual accounts.
- A decrease of 1,414 thousand euros (4,933 thousand euros in 2015) in relation to temporary differences at the Herba Group, mainly due to the amortization for tax purposes of trademarks and other assets, accelerated depreciation regimes in Spain and the recognition in different periods for accounting versus tax purposes of items in provision accounts.
- An increase of 7,939 thousand euros (213 thousand euros in 2015) in relation to temporary differences at the Panzani Group, due mainly to movements under provisions, offset by property, plant and equipment depreciation charges.
- An increase of 503 thousand euros (7,104 thousand euros in 2015) in consolidation adjustments due to different accounting criteria applied in preparing the separate versus the consolidated annual financial statements.
- A net increase of 3,621 thousand euros (2015: 1,644 thousand euros), mainly in relation to other companies, due to the origination and/or utilization for tax purposes of provisions recognized and/or reversed during the year, the recognition and/or reversal of impairment losses on non-financial assets and other contingencies cancelled and financial assets that were or were not eligible for deduction during the year.

The Group companies' permanent differences relate basically to amounts equivalent to tax that do not compute for income tax calculation purposes, the effect of expenses that are not deductible in determining tax profit, the deductibility for tax purposes of losses on non-current financial assets, the reversal of certain provisions that were not deductible for tax purposes when they were recognized in prior years and the fact that some of the gains obtained on the sale of certain assets in 2016 are exempt from this tax.

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The Group did not apply significant amounts of unused tax assets in 2016 or 2015 due to the lack of sufficient taxable income. These tax credits mainly derive from new product development efforts, charitable donation deductions, deductions under double taxation treaties and tax relief on the reinvestment of gains generated by asset sales (still-unused credits generated prior to 2014).

Until and including 2014 it was possible in Spain to certify deductions in respect of reinvestments; these deductions were eliminated in 2015. Between 2013 and 2006, both inclusive, the Spanish tax group reinvested qualifying proceeds totaling 33.1, 5.0, 115.3, 57.3, 1.5, 16.2, 11.2 and 76.3 million euros, respectively. These reinvestments satisfied all of the requirements for qualifying for the related tax relief.

The reconciliation of the opening and closing deferred tax balances (in thousands of euros) is provided below:

	YE16		YE15	
	Assets	Liabilities	Assets	Liabilities
Opening balance	74,301	(281,736)	55,871	(245,956)
Transfers	(672)	672	10,885	(10,885)
Translation differences	903	(5,779)	2,868	(14,655)
Business combinations	88	(2,294)	484	(7,322)
Disposals / derecognitions	(245)	0	0	0
Charged / credited in income statement	7,466	(14,865)	2,354	(2,686)
Charged / credited to equity	901	490	407	(92)
Restatements	326	4,337	1,432	(140)
Closing balance	83,068	(299,175)	74,301	(281,736)

The breakdown of deferred taxes into their most significant components at year-end is provided in the next table:

	YE16		YE15	
	Deferred tax		Deferred tax	
	assets	liabilities	assets	liabilities
Property, plant and equipment	4,656	(91,608)	4,554	(96,433)
Investment properties	2,813	(3)	2,809	0
Goodwill	3,111	(37,018)	3,613	(36,444)
Other intangible assets	1,400	(163,224)	1,608	(146,960)
Inventories	3,542	(578)	2,897	(624)
Receivables and accruals (assets)	1,180	(859)	1,139	(914)
Pensions and similar obligations	14,115	(93)	6,978	(406)
Other non-current provisions	1,618	826	6,963	(386)
Payables and accruals (liabilities)	21,166	1,787	16,935	1,525
Unused tax credits and tax losses	15,728	(413)	16,048	(404)
Accrual of tax credits	0	(7,992)	0	(600)
Changes in value of AFS financial assets	0	0	90	(90)
Tax effect of hedges of net investments in foreign operations	13,739	0	10,667	0
TOTAL	83,068	(299,175)	74,301	(281,736)

At year-end 2016, the Group companies had around 40 million euros of unused tax losses (42 million euros at year-end 2015) that it can offset against taxable profit over the next 15 years.

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The Spanish tax group has its books open to inspection from 2012 in respect of all applicable taxes. The other Group companies have their books open to inspection in respect of the taxes and years applicable under local tax legislation insofar as not already inspected, in most instances from 2011 or 2012. The directors believe there is no need to provide for potential additional tax liabilities that could arise from differing interpretations of tax regulations.

26. COMMITMENTS AND CONTINGENCIES

Commitments under operating leases (as lessee) and service provision agreements

The Group has entered into operating leases on certain vehicles, items of machinery, warehouses and offices. These leases have terms of between three and five years; the lease agreements do not have lease renewal clauses with the exception of the lease on the site of one of the factories in the US, which can be extended by a term of 20 years, and the lease on one of the factories in Canada, with a term of 10 years. These leases do not impose any restrictions on the lessees. In addition, in the US, the Group has outsourced its logistics operations to several distribution centers under long-term service provision agreements. Future minimum payments due under non-cancelable operating leases and service provision agreements at December 31 (in thousands of euros) are as follows:

	Year-end 2016			Year-end 2015		
	Leases	SPAs	Total	Leases	SPAs	Total
Within one year	10,627	13,588	24,215	7,703	12,737	20,440
After one year but not more than five	22,002	17,327	39,329	23,859	32,997	56,856
More than five years	16,796	0	16,796	12,657	0	12,657
Total	49,425	30,915	80,340	44,219	45,734	89,953

Operating lease commitments - Group as lessor

The Group has entered into operating leases on several properties within its investment property portfolio. These non-cancelable leases have remaining terms of between three and five years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. Future minimum rentals receivable under non-cancelable operating leases at December 31 (in thousands of euros) are as follows:

	YE16	YE15
Within one year	848	959
After one year but not more than five	3,374	2,731
More than five years	0	3,472
Total	4,222	7,162

Capital commitments

Capital expenditure contracted for (machinery purchases and upgrades) at the end of the reporting period but not yet incurred totaled 21,000 thousand euros (13,350 thousand euros at year-end 2015).

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Investment commitments

- In 2011 the Ebro Group acquired 50% of Grupo TBA Suntra B.V. and 75% of TBA Suntra UK from one of their two shareholders. In addition, it signed an agreement with the other shareholder for the future acquisition of the remaining 50% of Grupo Suntra B.V and the remaining 25% of TBA Suntra UK. The agreement was structured as a put option written by the shareholder such that the latter can oblige the Ebro Group to acquire the remaining interests in these companies. The parties also signed a shareholder agreement that gives control of the Suntra Group to the Ebro Group. This other shareholder exercised its call option in January 2015 so that the Ebro Group took outright ownership of both these companies.

In 2016, having completed the restructuring of the Ingredients subgroup, which included the Group's European companies devoted to this line of business, among which the companies itemized above (among others), the Ebro Group sold the above shareholder 20% of the Ingredients business and 25% of TBA Suntra UK. In parallel, it entered into an agreement with the other shareholder for the future acquisition of the said 20% interest in the Ingredients business and 25% interest in TBA Suntra UK. The agreement was structured as a put option written by the shareholder such that the latter can oblige the Ebro Group to acquire these interests. In addition, the Ebro Group has a right of first refusal such that third parties cannot acquire these interests.

Lastly, the Ebro Group has an irrevocable call option over these investments in the event that the other shareholder dies or becomes incapacitated. As a result, the Ingredients business and TBA Suntra UK have been fully consolidated in light of the control arrangement; in parallel, the Group has recognized the estimated cost of the option over the remaining 20% and 25% interests as a non-current financial liability (note 22).

- The Ebro Group acquired 52% of Italy's Pasta Garofalo on June 18, 2014. The Group acquired a 52% interest for 63,455 thousand euros, of which it paid 58,255 thousand euros in 2014 and the remaining 5,200 thousand euros in 2015. The Group took effective control of the Garofalo Group on June 30, 2014, which was also the date of first-time consolidation of this entity.

In addition, the Group has arranged two options with the other shareholder over the remaining 48%, granting the seller a put option (exercisable until May 2024) and the Ebro Group a call option (exercisable from June 2024 to May 2026). The price of these options will be determined as a function of the target's average earnings metrics over a series of years, as well as other terms and conditions customary in arrangements of this nature. At December 31, 2016, these options, which are recognized under non-current financial liabilities, were valued at 63,907 thousand euros (year-end 2015: 61,550 thousand euros) (note 22).

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- Acquisition in 2016 of Santa Rita Harinas, S.L. (Spain).

As indicated in note 5, Ebro Foods, S.A. acquired a 52% interest in Santa Rita Harinas, S.L. on July 13, 2016. In addition, the Group arranged two options with the other shareholder over the remaining 48%, granting the seller a put option (exercisable from August 2019 with no expiry date) and the Ebro Group a call option (exercisable from August 2026 with no expiry date). The price of these options will be determined as a function of the target's average earnings metrics over a series of years, as well as other terms and conditions customary in arrangements of this nature. At December 31, 2016, these options, which are recognized under non-current financial liabilities, were valued at 5,456 thousand euros (note 22).

- In May 2013, the Group entered into an agreement with the shareholders of Germany's Keck Spezialitäten, GmbH (Keck) for its acquisition. In order to structure the acquisition, the Group incorporated a new, wholly-owned German company called Ebro Frost, GmbH to which 100% of the shares of Keck and 100% of the shares of Danrice, A.S. (Danrice was a wholly-owned Group subsidiary at the time) were contributed. In the wake of these contributions, Ebro Frost, GmbH. was held 55% by the Ebro Group and 45% by the shareholders of Keck.

From January 1, 2019, the shareholders of Keck have the option of requiring the Ebro Group to acquire their 45% interest in Ebro Frost, GmbH at a variable price that will be set as a function of its earnings performance during the prior three years.

Inventory commitments

See the disclosures provided in note 15.

Legal claims and dispute guarantees

See the disclosures provided in note 21.

Guarantees

The guarantees provided in the form of bank guarantees at the end of each reporting period:

Guarantees

	YE16	YE15
Bank guarantees: Provided to courts and other bodies in relation to claims and tax deferrals (note 21)	14,135	13,354
Bank guarantees: provided to Spain's Agricultural Guarantee Fund (FEGA), customs authorities and third parties to guarantee fulfilment of obligations arising in the ordinary	16,678	15,984
Other bank guarantees:	758	12,932
Provided to banks to guarantee performance of other affiliated or third-party companies	0	0
TOTAL	31,571	42,270

Other bank guarantees in 2015 included the guarantee provided by a bank on behalf of the Group for the acquisition of certain warehouses in France for 12 million euros, which took place in 2016.

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Note, lastly, that the Panzani Group's credit facilities (with a drawdown limit at year-end 2015 and 2014 of 80 million euros) are secured by its accounts receivable. The Garofalo Group's credit facilities, with a drawdown limit of 62.7 million euros, are secured by a mortgage over its factory and site in Italy (see note 22).

27. RELATED-PARTY TRANSACTIONS

Sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash.

The Group did not record any impairment of receivables relating to amounts owed by related parties in either reporting period. This assessment is undertaken each financial year by examining the financial situation of the related party and the market in which it operates.

27.1 Transactions with significant shareholders (or parties related thereto) of Ebro Foods, S.A. (excluding directors)

Note 18.1 itemizes the shareholders with significant interests in Ebro Foods, S.A. (parent of the Ebro Foods Group).

A summary of the transactions, excluding dividends, between any Ebro Foods Group company and these significant shareholders (unless they are directors, whose transactions are disclosed separately in note 27.2) is provided below (in thousands of euros):

Significant shareholder	Ebro Foods Group company	Nature of the relationship	Type of transaction	2016	2015
Sociedad Anónima DAMM (Estrella de Levante, SA)	Herba Ricemills, SLU	Contractual	Sale of goods (finished and in-progress)	1,085	1,036
Sociedad Anónima DAMM (Cía Cervecera Damm SA)	Herba Ricemills, SLU	Contractual	Sale of goods (finished and in-progress)	4,249	3,985
Instituto Hispánico del Arroz, SA	Herba Ricemills, SLU	Contractual	Purchase of goods (finished and in-progress)	2,738	--
Instituto Hispánico del Arroz, SA (El Cobujon, SA)	Herba Ricemills, SLU	Contractual	Purchase of goods (finished and in-progress)	834	--
Instituto Hispánico del Arroz, SA (Mundiarroz, SA)	Herba Ricemills, SLU	Contractual	Purchase of goods (finished and in-progress)	10	--
Instituto Hispánico del Arroz, SA (Australian Commodities, SA)	Herba Ricemills, SLU	Contractual	Purchase of goods (finished and in-progress)	13	--
Instituto Hispánico del Arroz, SA (Dehesa Norte, SA)	Herba Ricemills, SLU	Contractual	Purchase of goods (finished and in-progress)	13	--
Instituto Hispánico del Arroz, SA (Islasur, SA)	Herba Ricemills, SLU	Contractual	Purchase of goods (finished and in-progress)	13	--
Instituto Hispánico del Arroz, SA (Pesquería Isla Mayor, SA)	Herba Ricemills, SLU	Contractual	Purchase of goods (finished and in-progress)	13	--

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Note that the table above includes the transactions performed with Instituto Hispánico del Arroz, S.A. between December 21 and 28, 2016, during which time it was not a director but did continue to be a significant shareholder of Ebro Foods, SA. In 2015, the related party transactions with Instituto Hispánico del Arroz, S.A. are included in the table itemizing related-party transactions performed by directors in the column corresponding to that reporting period.

27.2 Transactions with directors and executives (or parties related thereto) of Ebro Foods, S.A.

A summary of the transactions performed, other than dividends and remuneration, with the directors and executives of Ebro Foods, S.A. and/or their related parties is provided below (in thousands of euros):

Name or company name of director	Relationship	Name or company name of the related party	Ebro Group company with which the transaction was performed	Type of transaction	2016 Amount	2015 Amount
Hernández Callejas, Antonio	Relative	Hernández González, Luis	Ebro Foods, SA	Lease (expense)	40	37
Hernández Callejas, Antonio	Company	Cardenal Ilundain 4, SL	Ebro Foods, SA	Lease (expense)	72	72
Instituto Hispánico del Arroz, SA		---	Herba Ricemills, SLU	Lease (expense)	178	122
Instituto Hispánico del Arroz, SA		---	Rivera del Arroz, SA	Purchase of goods (finished and in-progress)	0	38
Instituto Hispánico del Arroz, SA		---	Herba Ricemills, SLU	Purchase of goods (finished and in-progress)	8,138	7,609
Instituto Hispánico del Arroz, SA		---	S&B Herba Foods, Ltd	Purchase of goods (finished and in-progress)	70	13
Instituto Hispánico del Arroz, SA		---	Arrozeiras Mundiarroz	Purchase of goods (finished and in-progress)	234	166
Instituto Hispánico del Arroz, SA		---	Herba Ingredients BV	Purchase of goods (finished and in-progress)	15	25
Instituto Hispánico del Arroz, SA		---	Herba Ricemills, SLU	Services rendered	0	2
Instituto Hispánico del Arroz, SA		---	Herba Ricemills, SLU	Services received	308	125
Instituto Hispánico del Arroz, SA		---	Rivera del Arroz, SA	Services received	0	67
Instituto Hispánico del Arroz, SA		---	Herba Ricemills, SLU	Sale of goods (finished and in-progress)	192	89
Instituto Hispánico del Arroz, SA		---	Boost Nutrition, CV	Sale of goods (finished and in-progress)	5	0
Instituto Hispánico del Arroz, SA		---	Arrozeiras Mundiarroz	Sale of goods (finished and in-progress)	0	11
Instituto Hispánico del Arroz, SA		---	S&B Herba Foods, Ltd	Sale of goods (finished and in-progress)	0	13
Instituto Hispánico del Arroz, SA	Company	El Cobujon, SA	Herba Ricemills, SLU	Purchase of goods (finished and in-progress)	63	1,409
Instituto Hispánico del Arroz, SA	Company	El Cobujon, SA	S&B Herba Foods, Ltd	Purchase of goods (finished and in-progress)	21	13
Instituto Hispánico del Arroz, SA	Company	El Cobujon, SA	Herba Ingredients BV	Purchase of goods (finished and in-progress)	87	25
Instituto Hispánico del Arroz, SA	Company	El Cobujon, SA	Herba Ricemills, SLU	Sale of goods (finished and in-progress)	190	96
Instituto Hispánico del Arroz, SA	Company	El Cobujon, SA	Boost Nutrition, CV	Sale of goods (finished and in-progress)	5	0
Instituto Hispánico del Arroz, SA	Company	El Cobujon, SA	S&B Herba Foods, Ltd	Sale of goods (finished and in-progress)	3	13
Instituto Hispánico del Arroz, SA	Company	Mundiarroz, SA	Herba Ricemills, SLU	Purchase of goods (finished and in-	75	39

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Name or company name of director	Relationship	Name or company name of the related party	Ebro Group company with which the transaction was performed	Type of transaction	2016 Amount	2015 Amount
				progress)		
Instituto Hispánico del Arroz, SA	Company	Mundiarroz, SA	Boost Nutrition, CV	Purchase of goods (finished and in-progress)	0	15
Instituto Hispánico del Arroz, SA	Company	Mundiarroz, SA	S&B Herba Foods, Ltd	Purchase of goods (finished and in-progress)	147	13
Instituto Hispánico del Arroz, SA	Company	Mundiarroz, SA	Arrozeiras Mundiarroz	Purchase of goods (finished and in-progress)	0	21
Instituto Hispánico del Arroz, SA	Company	Mundiarroz, SA	Herba Ingredients BV	Purchase of goods (finished and in-progress)	0	25
Instituto Hispánico del Arroz, SA	Company	Mundiarroz, SA	Herba Ricemills, SLU	Sale of goods (finished and in-progress)	112	64
Instituto Hispánico del Arroz, SA	Company	Mundiarroz, SA	Boost Nutrition, CV	Sale of goods (finished and in-progress)	4	15
Instituto Hispánico del Arroz, SA	Company	Mundiarroz, SA	Arrozeiras Mundiarroz	Sale of goods (finished and in-progress)	0	21
Instituto Hispánico del Arroz, SA	Company	Mundiarroz, SA	S&B Herba Foods, Ltd	Sale of goods (finished and in-progress)	126	13
Instituto Hispánico del Arroz, SA	Company	Australian Commodities, SA	Herba Ricemills, SLU	Purchase of goods (finished and in-progress)	90	39
Instituto Hispánico del Arroz, SA	Company	Australian Commodities, SA	Boost Nutrition, CV	Purchase of goods (finished and in-progress)	0	40
Instituto Hispánico del Arroz, SA	Company	Australian Commodities, SA	S&B Herba Foods, Ltd	Purchase of goods (finished and in-progress)	147	0
Instituto Hispánico del Arroz, SA	Company	Australian Commodities, SA	Arrozeiras Mundiarroz	Purchase of goods (finished and in-progress)	0	10
Instituto Hispánico del Arroz, SA	Company	Australian Commodities, SA	Herba Ingredients BV	Purchase of goods (finished and in-progress)	0	25
Instituto Hispánico del Arroz, SA	Company	Australian Commodities, SA	Herba Ricemills, SLU	Sale of goods (finished and in-progress)	196	64
Instituto Hispánico del Arroz, SA	Company	Australian Commodities, SA	Boost Nutrition, CV	Sale of goods (finished and in-progress)	5	40
Instituto Hispánico del Arroz, SA	Company	Australian Commodities, SA	Arrozeiras Mundiarroz	Sale of goods (finished and in-progress)	0	10
Instituto Hispánico del Arroz, SA	Company	Australian Commodities, SA	S&B Herba Foods, Ltd	Sale of goods (finished and in-progress)	61	0
Instituto Hispánico del Arroz, SA	Company	Dehesa Norte, SA	Herba Ricemills, SLU	Purchase of goods (finished and in-progress)	70	40
Instituto Hispánico del Arroz, SA	Company	Dehesa Norte, SA	Boost Nutrition, CV	Purchase of goods (finished and in-progress)	0	15
Instituto Hispánico del Arroz, SA	Company	Dehesa Norte, SA	S&B Herba Foods, Ltd	Purchase of goods (finished and in-progress)	148	13
Instituto Hispánico del Arroz, SA	Company	Dehesa Norte, SA	Arrozeiras Mundiarroz	Purchase of goods (finished and in-progress)	0	21
Instituto Hispánico del Arroz, SA	Company	Dehesa Norte, SA	Herba Ingredients BV	Purchase of goods (finished and in-progress)	0	25
Instituto Hispánico del Arroz, SA	Company	Dehesa Norte, SA	Herba Ricemills, SLU	Sale of goods (finished and in-progress)	189	65
Instituto Hispánico del Arroz, SA	Company	Dehesa Norte, SA	Boost Nutrition, CV	Sale of goods (finished and in-progress)	5	15
Instituto Hispánico del Arroz, SA	Company	Dehesa Norte, SA	Arrozeiras Mundiarroz	Sale of goods (finished and in-progress)	0	21
Instituto Hispánico del Arroz, SA	Company	Dehesa Norte, SA	S&B Herba Foods, Ltd	Sale of goods (finished and in-progress)	50	13
Instituto Hispánico del Arroz, SA	Company	Islasur, SA	Herba Ricemills, SLU	Purchase of goods (finished and in-progress)	106	80

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Name or company name of director	Relationship	Name or company name of the related party	Ebro Group company with which the transaction was performed	Type of transaction	2016 Amount	2015 Amount
Instituto Hispánico del Arroz, SA	Company	Islasur, SA	Boost Nutrition, CV	Purchase of goods (finished and in-progress)	4	40
Instituto Hispánico del Arroz, SA	Company	Islasur, SA	S&B Herba Foods, Ltd	Purchase of goods (finished and in-progress)	160	0
Instituto Hispánico del Arroz, SA	Company	Islasur, SA	Arrozeiras Mundiarroz	Purchase of goods (finished and in-progress)	0	21
Instituto Hispánico del Arroz, SA	Company	Islasur, SA	Herba Ingredients BV	Purchase of goods (finished and in-progress)	0	25
Instituto Hispánico del Arroz, SA	Company	Islasur, SA	Herba Ricemills, SLU	Sale of goods (finished and in-progress)	136	64
Instituto Hispánico del Arroz, SA	Company	Islasur, SA	Boost Nutrition, CV	Sale of goods (finished and in-progress)	0	40
Instituto Hispánico del Arroz, SA	Company	Islasur, SA	S&B Herba Foods, Ltd	Sale of goods (finished and in-progress)	138	0
Instituto Hispánico del Arroz, SA	Company	Islasur, SA	Arrozeiras Mundiarroz	Sale of goods (finished and in-progress)	0	21
Instituto Hispánico del Arroz, SA	Company	Pesquería Isla Mayor, SA	Herba Ricemills, SLU	Purchase of goods (finished and in-progress)	63	40
Instituto Hispánico del Arroz, SA	Company	Pesquería Isla Mayor, SA	Boost Nutrition, CV	Purchase of goods (finished and in-progress)	0	15
Instituto Hispánico del Arroz, SA	Company	Pesquería Isla Mayor, SA	S&B Herba Foods, Ltd	Purchase of goods (finished and in-progress)	145	13
Instituto Hispánico del Arroz, SA	Company	Pesquería Isla Mayor, SA	Arrozeiras Mundiarroz	Purchase of goods (finished and in-progress)	0	10
Instituto Hispánico del Arroz, SA	Company	Pesquería Isla Mayor, SA	Herba Ingredients BV	Purchase of goods (finished and in-progress)	0	25
Instituto Hispánico del Arroz, SA	Company	Pesquería Isla Mayor, SA	Herba Ricemills, SLU	Sale of goods (finished and in-progress)	104	64
Instituto Hispánico del Arroz, SA	Company	Pesquería Isla Mayor, SA	Boost Nutrition, CV	Sale of goods (finished and in-progress)	5	15
Instituto Hispánico del Arroz, SA	Company	Pesquería Isla Mayor, SA	Arrozeiras Mundiarroz	Sale of goods (finished and in-progress)	0	10
Instituto Hispánico del Arroz, SA	Company	Pesquería Isla Mayor, SA	S&B Herba Foods, Ltd	Sale of goods (finished and in-progress)	123	13
Instituto Hispánico del Arroz, SA	Company	Cabher 96, SL	Herba Ricemills, SLU	Purchase of goods (finished and in-progress)	119	121
Instituto Hispánico del Arroz, SA	Company	Fitoplacton Marino, SL	Arotz Foods, SA	Purchase of goods (finished and in-progress)	375	0
Instituto Hispánico del Arroz, SA	Company	Fitoplacton Marino, SL	Arotz Foods, SA	Sale of goods (finished and in-progress)	1	0
Instituto Hispánico del Arroz, SA	Company	Fitoplacton Marino, SL	Arotz Foods, SA	Other income	6	0
Instituto Hispánico del Arroz, SA	Company	Real Club de Golf de Sevilla, SL	Herba Ricemills, SLU	Services received	2	9
Grupo Tradifin, SL	Company	Real Club de Golf de Sevilla, SL	Herba Ricemills, SLU	Services received	9	--
Hercalanz Investing Group, SL & Grupo Tradifin, SL	Company	Instituto Hispánico del Arroz, SA	Herba Ricemills, SLU	Purchase of goods (finished and in-progress)	4,413	--
Hercalanz Investing Group, SL & Grupo Tradifin, SL	Company	Instituto Hispánico del Arroz, SA	Herba Ricemills, SLU	Purchase of goods (finished and in-progress)	5	--

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Note that the transactions performed in 2016 with Instituto Hispánico del Arroz, S.A. shown in the above table were carried out prior to December 21, which is when this entity ceased to be a director, so that the figures are not perfectly comparable year-on-year (the 2015 column includes the full year's transactions with this entity).

27.3 Other transactions with significant shareholders and directors/executives: dividends received from Ebro Foods, S.A.

Against the backdrop of the general dividend policy of Ebro Foods, S.A., the following amounts were paid in each reporting period (expressed in thousands of euros):

Dividends 2016 (2015):

- Dividends paid to significant shareholders: 16,646 (20,339)
- Dividends paid to directors and executives: 31,038 (37,580)

27.4 Transactions undertaken with other Ebro Group companies that are not eliminated in the consolidated financial statements and whose purpose or terms fall outside the Group's ordinary course of business or other than on an arm's length basis

There were no related-party transactions of this type in either reporting period.

27.5 Related-party transactions

This note summarizes the transactions performed in 2016 between the Ebro Group companies and "other related parties" (amounts in thousands of euros):

- Receipt of services in the amount of 59 thousand euros by Herba Foods, S.L.U. (Ebro Group subsidiary) from Hernández Barrera Servicios, S.L.
- Receipt of services in the amount of 259 thousand euros by Herba Ricemills, S.L.U. from Hernández Barrera Servicios, S.L.

Note that one of the directors of Hernández Barrera Servicios, S.L. is Félix Hernández Callejas, the natural person representing Herculanz Investing Group, S.L. on the Board of Directors of Ebro Foods, S.A.

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27.6 Other disclosures

The next table itemizes the transactions entered into between Ebro Group companies and Riso Scotti (an associate that is not fully consolidated by the Ebro Group) in 2016 and 2015 (amounts in thousands of euros):

Group company with which Riso Scotti transacted	Type of transaction	Amount 2016	Amount 2015
Herba Ricemills, S.L.U.	Sale of goods (finished and in-progress)	204	355
Herba Ricemills, S.L.U.	Services rendered	9	9
Herba Ricemills, S.L.U.	Purchase of goods (finished and in-progress)	367	200
Ebro Foods, S.A.	Dividends received	509	337
Ebro Foods, S.A.	Services rendered	0	5

Ebro Foods, S.A. holds a 40% shareholding in Riso Scotti S.p.A. The investment in this associate is accounted for using the equity method.

Mr. Antonio Hernández Callejas, Chairman of Ebro Foods, S.A., is a director of Riso Scotti, S.p.A.

27.7 Fiduciary duties: conflicts of interest and non-compete duty

In keeping with article 229 of Spain's Corporate Enterprises Act, this section of this note replicates the information provided by the Parent's directors, or by their natural person representatives as warranted, in keeping with their fiduciary duties, to the Company regarding the interests and positions held in/at companies with the same, analogous or complementary core business as that of Ebro Foods, S.A. that are not part of the Ebro Foods Group.

- Grupo Tradifín, S.L.:
 - Direct 50% interest in Instituto Hispánico del Arroz, S.A.^(*). Also the CEO.
 - Direct shareholding of 100% in Cabher 96, S.L. Sole director.
- Ms. Blanca Hernández Rodríguez (the natural person who represents Grupo Tradifín, S.L. on the Board of Directors of Ebro Foods, S.A.):
 - Indirect interest in Instituto Hispánico del Arroz, S.A.^(*) through the 33.25% interest held directly in Grupo Tradifín, S.L. She does not hold any position at this company.
 - Indirect interest in Cabher 96, S.L. through the 33.25% interest held directly in Grupo Tradifín, S.L. She does not hold any position at this company.
- Heralianz Investing Group, S.L.:
 - Direct 50% interest in Instituto Hispánico del Arroz, S.A.^(*). Also the CEO.

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- Mr. Félix Hernández Callejas (the natural person who represents Heralianz Investing Group, S.L. on the Board of Directors of Ebro Foods, S.A.):
 - Indirect interest in Instituto Hispánico del Arroz, S.A.^(*) through the 33.33% interest held directly in Heralianz Investing Group, S.L. Also the CEO.
- Mr. Antonio Hernández Callejas:
 - Indirect interest in Instituto Hispánico del Arroz, S.A.^(*) through the 33.33% interest held directly in Heralianz Investing Group, S.L. He does not hold any position at this company.
- Dr. Rudolf-August Oetker:
 - Direct interest in Dr. August Oetker KG. of 12.5%. He is Chairman of the Advisory Board.

(*) It is hereby noted that until December 28, 2016, Instituto Hispánico del Arroz, S.A. held a 15.92% interest in Ebro Foods, S.A. (8.96% held directly and 6.96% held indirectly through Hispafoods Invest, S.L. until December 22, 2016).

The directors of Ebro Foods, S.A. (or their natural person representatives, as warranted) did not perform any transactions with Ebro Foods Group companies outside their ordinary course of business or other than on an arm's length basis in either reporting period.

The directors have not informed the Company of any direct or indirect potential conflicts of interest between them or their related parties and the Company other than those disclosed in this note.

27.8 Director and executive remuneration

Director remuneration.- The remuneration accrued by the members of the Board of Directors of Ebro Foods, S.A. totaled 5,672 thousand euros in 2016 (2015: 4,907 thousand euros), broken down as follows (amounts in thousands of euros):

DIRECTOR REMUNERATION AND OTHER BENEFITS	2016	2015
TYPE OF REMUNERATION		
Meeting attendance fees	287	327
Bylaw-stipulated profit-sharing	2,728	2,565
Total director remuneration	3,015	2,892
Wages, salaries and professional fees	2,657	2,015
Termination and other benefits	0	0
Total executive director remuneration	2,657	2,015
TOTAL REMUNERATION	5,672	4,907
OTHER BENEFITS		
Life insurance and post-employment benefits	0	0

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The Company's bylaws stipulate remuneration of up to 2.5% of consolidated net profit for the year provided that the required appropriations to the legal reserve have been made and the minimum shareholder dividend established in prevailing legislation has been declared (currently 4% of paid-in capital).

At a meeting held on February 28, 2017, the Board of Directors resolved, at the recommendation of its Nomination and Remuneration Committee:

(i) To update the by-law stipulated remuneration, which had been frozen for the prior five years, specifically implying submission at the Annual General Meeting of a motion to pay a sum of 2,728 thousand euros, which is equivalent to 1.61% of consolidated profit attributable to equity holders of the parent in 2016; and

(ii) To leave attendance fees at 1,600 euros per Board meeting and 800 euros for attendance at the meetings of its various committees.

The individual breakdown of director remuneration earned in 2016 (in thousands of euros) is provided below:

Director	By-law-stipulated profit-sharing	Attendance fees	Fixed remuneration for performance of executive duties	Variable remuneration for performance of executive duties	Total
Hernández Callejas, Antonio	412	29	1,013	1,644	3,098
Carceller Arce, Demetrio	383	27	0	0	410
Alimentos y Aceites, S.A.	128	16	0	0	144
Castelló Clemente, Fernando	203	27	0	0	230
Comenge Sánchez-Real, José Ignacio	173	23	0	0	196
Empresas Comerciales e Industriales Valencianas, S.L	128	18	0	0	146
Hispafoods Invest, S.L. (Until December 12, 2016)	188	25	0	0	213
Instituto Hispánico del Arroz, S.A. (until December 21, 2016)	143	17	0 (*)	0 (*)	160
Nieto de la Cierva, José	284	24	0	0	308
Oetker, Rudolf-August	128	18	0	0	146
Ruiz-Gálvez Priego, Eugenio	165	23	0	0	188
Segurado García, José Antonio	290	27	0	0	317
Mercedes Costa García (since July 27, 2016)	81	9	0	0	90
Hercalanz Investing Group, S.L. (since December 12, 2016)	11	2	0 (**)	0 (**)	13
Grupo Tradifin, S.L. (since December 12, 2016)	11	2	0	0	13
TOTAL	2,728	287	1,013	1,644	5,672

(*) Although Instituto Hispánico del Arroz, S.A. (a director of the Parent until December 21, 2016) is listed as an executive director, it has never performed either executive or management duties at Ebro Foods, S.A. or at any subsidiary and therefore did not receive any remuneration in this respect. Instituto Hispánico del Arroz, S.A. had been categorized as an executive director based on the fact that the natural person representing this entity on the Board of Directors of Ebro Foods, S.A. was an executive at a Group subsidiary.

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(**) Similarly, Herculanz Investing Group, S.L. (a director of the Parent since December 21, 2016) did not perform either executive or management duties at Ebro Foods, S.A. or at any subsidiary and therefore did not receive any remuneration in this respect. It is categorized as an executive director based on the fact that the natural person representing this entity on the Board of Directors of Ebro Foods, S.A. is an executive at a Group subsidiary (the same person who used to represent Instituto Hispánico del Arroz, S.A. on the Board of Ebro Foods, S.A.).

It is hereby noted that the director remuneration itemized in this note includes the attendance fees received by the Chairman of the Board of Directors of Ebro Foods, S.A., Mr. Antonio Hernández Callejas, in his capacity as director of Pastificio Lucio Garofalo, S.p.A. (an Ebro Foods Group company) in the amount of 5 thousand euros in both reporting periods.

It is further noted that in both reporting periods, the Chairman of the Board of Directors received the sum of 5,200 euros in the form of attendance fees for performance of his duties as director of Riso Scotti, S.p.A. (an associate; see note 27.6).

Of the total variable remuneration earned by the Chairman of the Board of Directors for performance of executive duties in 2016, 455 thousand euros correspond to the Deferred Annual Bonus Scheme tied to the Group's 2013-2015 Business Plan in respect of 2014. This sum represented up to 25% of the deferred bonus entitlement accrued over the term of the three-year scheme, which was provided for in the 2014 financial statements and settled in 2016.

Elsewhere, in relation to the total remuneration earned by the Chairman of the Board of Directors for the performance of his executive duties in 2016, the 2016 financial statements recognize a provision of 805 thousand euros in respect of the provisional estimate of the amount corresponding to 2016 under the Deferred Annual Bonus Scheme tied to the Group's 2016-2018 Plan, which represents up to 25% of the deferred bonus entitlement expected to be accrued during the three-year period. This figure will be paid in 2018.

These bonus schemes are not tied to Ebro Foods' share price performance nor do they entitle their beneficiaries to the receipt of shares or any rights over such shares.

Elsewhere, none of the members of the Board of Directors benefits from complementary life insurance or pension cover. Moreover, the Company neither extended any form of credit or advances to the members of its Board of Directors nor assumed any obligations on their behalf under guarantees.

Officer remuneration

- A total of 10 people were considered officers of Ebro Foods, S.A. at both year-ends; in 2016 these executives accrued aggregate remuneration (wages and salaries) of 2,164 thousand euros (2,061 thousand euros in 2015).

“Officers” refers to the professionals responsible for Ebro Foods, S.A.'s most important departments; note that not all of them have special senior management employment agreements with the Company. This group of officers includes the Chief Operating Officer (COO) of the Ebro Group.

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- Elsewhere, the professionals in charge of the Ebro Group's main business units (other than the Chairman of the Board and COO of the Group) number five at year-end 2016 and 2015. Their total aggregate remuneration in 2016 was 1,718 thousand euros, 920 thousand USD and 464 thousand \$CAN (1,511 thousand euros, 933 thousand USD and 400 thousand \$CAN in 2015), corresponding to fixed wages and salaries and annual bonuses.
- Twelve Ebro Group employees (other than the Chairman of the Board of Directors) were covered by the Deferred Annual Bonus Scheme at December 31, 2016 (11 at year-end 2015). Total aggregate remuneration effectively collected under that scheme in 2016 (corresponding to that accrued in 2014) amounted to 571 thousand euros and 334 thousand USD, a figure representing up to 25% of the bonuses earned during the three-year term of the 2013-2015 Scheme and which had been provided for in the 2014 financial statements.

In addition, the Group provisioned amounts of 818 thousand euros and 480 thousand USD in its 2016 financial statements for the remuneration accrued by these same Group professionals under the Deferred Annual Bonus Scheme corresponding to that year, a figure representing up to 25% of the bonuses to be accrued under the 2016-2018 Scheme. This sum is payable, under the rules of the Scheme, in 2018.

The employment contracts of two executives include change of control clauses guaranteeing payments that exceed the amounts applicable under the Employees' Statute. The clauses initially stipulated in the contracts of another two executives provide for payments that are lower than those established in the Employees' Statute due to their length of service.

It is noted for the record that Ebro Foods, S.A. has taken out civil liability insurance cover for its directors and executives; these policies cover all of its subsidiaries up to an annual claims cap of 45 million euros. The policies cost 60 thousand euros in each of 2016 and 2015, are effective until April 30, 2017 and are currently in the process of being renewed.

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

The primary objective of the Group's risk management policy is to safeguard the value of its assets and facilitate its sustainable growth by configuring an optimal capital structure tailored to the legislation in force in the countries in which it operates. In addition, its capital management policy is designed to preserve its credit metrics and maximize shareholder value.

Risk management strategy encompasses key business performance indicators such as earnings, leverage, capital expenditure and business strategy with a view to enabling the Company to take substantiated decisions in order to deliver the above-mentioned objectives. The attached Group Management Report and Corporate Governance Report provide additional information on the key business risks.

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Capital management

The overriding objective of the Group's capital management is to safeguard the business's sustainability and maximize shareholder value. To this end it contemplates:

- The cost of capital, in keeping with industry calculation standards, with a view to combining debt and equity to optimize this cost.
- A leverage ratio that makes it possible to obtain and maintain the targeted credit ratings and ensure short- and long-term financing for the Group's projects.

The right combination of debt and equity, in order to optimize the cost of capital, enables adequate shareholder remuneration, business continuity and growth of the Ebro Food Group's business model.

Note that the Group is subject to certain capital requirements under certain long-term loan agreements and that it is in compliance with these covenants (note 22).

In recent years, the Group has been concentrating its activities in its key businesses by means of strategic acquisitions, while keeping leverage low.

NET DEBT (€, 000)	CONSOLIDATED				
	2014	2015	2015/2014	2016	2016/2015
Equity	1,849,485	1,966,259	6.3%	2,079,326	5.8%
Net debt	405,617	426,280	5.1%	443,206	4.0%
Average net debt	333,178	424,940	27.5%	404,137	-4.9%
Leverage	21.9%	21.7%	-1.1%	21.3%	-1.7%
Leverage (average net debt) (1)	18.0%	21.6%	20.0%	19.4%	-10.1%
EBITDA	287,251	314,724	9.6%	344,141	9.3%
Coverage	1.41	1.35		1.29	

(1) Ratio of average net interest-bearing debt to equity (excluding non-controlling interests)

The accompanying Group management report provides the definition and reconciliation of the alternative performance measures shown in this table (net debt, average net debt and EBITDA).

Leverage increased significantly in 2014 due to the acquisitions of strategic businesses in Italy and Canada. In 2015, leverage was flat (it rose slightly in average net debt terms due to the trend in the dollar and the acquisition of organic and fresh food businesses in France). Lastly, in 2016, leverage declined: debt levels were broadly stable despite heavy investments in assets last year, leaving leverage ratios with which the Group is very comfortable.

Financial risk management and use of financial instruments

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

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

The overriding objective of exchange rate risk management is to offset (at least partially) potential valuation losses on assets denominated in currencies other than the euro with savings, albeit smaller in magnitude, on liabilities denominated in the same currencies.

The financial instruments that are used to hedge this financial risk may or may not qualify for designation as accounting hedges (cash flow or fair value hedges, depending on the nature of the hedged item).

In order to manage the foreign currency and interest rate risks arising in the course of the Group's operations and, from time to time, potential movements in the prices of certain raw materials (gas), the Group uses derivative (mainly interest or exchange rate forward sale-purchase currency contracts and options over interest or exchange rates) and non-derivative (currency-denominated borrowings) financial instruments in order to minimize or ring-fence them.

These hedges are arranged as a function of:

- Prevailing market conditions;
- Evolving management objectives; and
- The specific characteristics of the transactions giving rise to the financial risk being hedged.

The accounting policies used to measure these financial instruments are described in note 3 above.

The Board of Directors and senior management team review and establish the risk management policies applying to each and every one of these risks. The Board has delegated the development and oversight of the enterprise risk management system in its Audit Committee and the Risk Committee.

Cash flow interest rate risk

This risk arises from borrowings, loans extended and cash and cash equivalent balances denominated in euros and/or foreign currencies and arranged at floating rates of interest due to the risk that the cash flows associated with interest payments/receipts will fluctuate because of changes in market interest rates.

The Group manages this risk by having a balanced portfolio of fixed and variable rate borrowings. The Group's policy is to minimize exposure to this risk, to which end it continually monitors market conditions with the support of external experts in order to arrange new instruments or change the terms of existing instruments in order to minimize exposure to variability in the cash flows or fair value of its financial instruments.

Management has performed sensitivity analysis with respect to the impact of 50 basis point fluctuations in interest rates on the Group's rate-sensitive financial assets and liabilities with an impact on earnings: the estimated impact on profit in 2016 of such a change would be 1.9 million euros (2.5 million euros in 2015). The lower impact in 2016 reflects the trend in average debt and gradual improvement in the rates earned on cash held in dollars on the back of rate hikes.

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The main assumptions used to perform this sensitivity analysis are as follows:

- The analysis only models the impact on financial instruments susceptible to significant changes in the event of upward or downward movements in interest rates.
- The only input varied is the rate of interest, with all other variables held constant in the model.

Fluctuation in interest rates

Income/(expense)	2016				2015			
	-0.50%	-0.25%	0.25%	0.50%	-0.50%	-0.25%	0.25%	0.50%
Profit before tax	1,872	936	-936	-1,872	2,463	1,232	-1,232	-2,463

Foreign currency risk

This risk arises from exposure to the impact of movements in exchange rates on assets, liabilities, net investments in foreign operations and transactions conducted in currencies other than the euro.

As a result of the Group's investments in the US, the carrying amounts of the Group's assets and liabilities are significantly exposed to changes in the USD / EUR exchange rate. The Group attempts to mitigate the impact of its structural exchange rate risk by securing some of its loans in US dollars so that a very significant portion of its investments in the US are hedged naturally.

Other borrowings at December 31, 2016 include two loans totaling 251 million US dollars (271 million US dollars at year-end 2015) (note 22) that have been designated as hedges of net investments in the Group's US subsidiaries and are used to hedge its exposure to US dollar foreign exchange rate risk on these investments. The gains or losses on retranslation of these borrowings into euros are recognized in equity in order to offset any gains or losses on the translation of the net investments in these subsidiaries.

The Group is also exposed to foreign exchange rate risk on account of its transactions. This risk arises from the purchases and sales made by the business units in currencies other than the functional currency. In the case of significant transactions, the Group's policy is to use foreign exchange forward contracts to eliminate or minimize the related exchange rate risk.

In addition, the Group has an investment in the United Kingdom which may be impacted in the medium term by this nation's planned exit from the European Union, depending on the terms of the negotiations between the two parties. The impact of the devaluation of the sterling relative to the euro recognized as a change in exchange differences in 2016 was 10.5 million euros.

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Certain Group companies in the rice (Herba, S&B Herba and Herba Ingredients) and pasta segments (Panzani and Garofalo) write foreign currency future contracts or and/or options in order to mitigate their transaction-related exposures. These transactions are arranged to minimize currency risk but have not been designated as hedges for accounting purposes. The contracts outstanding at year-end:

Currency	Notional balance (thousands)	
	2016	2015
USD	127,091	123,017
CZK	-	40,000
EUR	19,091	14,051
GBP	2,570	15,655
THB	157,000	371,343

The Group is long on US dollars; these contracts basically hedge raw material contracts benchmarked against the dollar entered into by Group subsidiaries that operate in a different local currency. The euro positions are held by Group companies with functional currencies other than the euro and which trade in euros, mainly UK companies.

Below is a sensitivity analysis, measured in terms of the impact on profit or loss, with respect to the Group's key exposures to exchange rate risk by currency and type of instrument. The instruments grouped under "Other financial instruments" are loans or cash positions denominated in the currency referenced that do not qualify as accounting hedges.

The sensitivity analysis provided below should be understood as the Group's maximum exposure at a given point in time; in reality, the Group always hedges business transactions denominated in a currency to which management wants to mitigate exposure; however, these transactions do not qualify for hedge accounting on account of the complexity of matching flow timing.

The following assumptions were used to model the sensitivity of the Group's assets and liabilities to changes in exchange rates:

- The analysis only models the impact on financial instruments susceptible to significant changes in the event of fluctuations in exchange rates.
- Borrowings designated as effective hedges of net investments are excluded from this analysis.
- The only input varied is the rate of exchange, with all other variables held constant in the model.

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Effect of change in the Thai Baht relative to the euro

Due to derivatives:

	2016				2015			
	-10.00%	-5.00%	5.00%	10.00%	-10.00%	-5.00%	5.00%	10.00%
Income/(Expense)								
Profit before tax	-197	-377	218	459	-463	-884	509	1,069

Effect of change in the sterling relative to the euro

Due to derivatives:

	2016				2015			
	-10.00%	-5.00%	5.00%	10.00%	-10.00%	-5.00%	5.00%	10.00%
Income/(Expense)								
Profit before tax	1,006	497	-508	-1,052	-1,059	-578	668	1,424

Due to other financial instruments:

	2016				2015			
	-10.00%	-5.00%	5.00%	10.00%	-10.00%	-5.00%	5.00%	10.00%
Income/(Expense)								
Profit before tax	-2,491	-1,305	1,305	2,491	-54	-28	28	54

Effect of change in the dollar relative to the euro, sterling and Baht

Due to derivatives:

	2016				2015			
	-10.00%	-5.00%	5.00%	10.00%	-10.00%	-5.00%	5.00%	10.00%
Income/(Expense)								
Profit before tax	-5,147	-1,786	1,499	85	-4,972	-2,233	208	-550

Due to other financial instruments:

	2016				2015			
	-10.00%	-5.00%	5.00%	10.00%	-10.00%	-5.00%	5.00%	10.00%
Income/(Expense)								
Profit before tax	1,465	768	-768	-1,465	1,337	700	-700	-1,337

In addition to the exposure measured in terms of the impact on profit or loss, the next table illustrates the impact of movements in the EUR/USD exchange rate on the Group's borrowings, an analysis deemed relevant as a significant portion of the Group's debt is denominated in dollars. This exposure is mitigated by the cash flows generated in this currency, offsetting the impact on the Group's dollar-denominated debt.

Impact on borrowings

Changes in the USD

	2016				2015			
	-10.00%	-5.00%	5.00%	10.00%	-10.00%	-5.00%	5.00%	10.00%
+ Borrowings / (- Borrowings)								
Borrowings as per statement of financial position	-1,550	-812	812	1,550	-8,881	-4,652	4,652	8,881

Price risk in respect of other financial assets and liabilities

Certain of the Group's financial assets and liabilities expose it to price risk. The most significant exposure derives from the valuation of the put-call options over 48% of the shares of the Garofalo Group (note 5), over 48% of Santa Rita Harinas and over 20% of the Ingredients Group (note 26).

Liquidity risk

The Group's objective is to match its cash flow generation capabilities with its debt servicing and refinancing requirements. The Group aims to maintain a balance between continuity of funding and flexibility through the use of renewable credit facilities, bank loans with scope for grace periods to align them with the returns on the underlying assets and forward purchase contracts.

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Note 22 analyzes the Group's borrowings at year-end 2016 by maturity.

Credit (counterparty) risk

This is the risk that a counterparty will not meet its contractual obligations, generating a financial loss for the Group.

This risk is mitigated by means of careful selection of transactions and counterparty banks based on credit ratings and the negotiation of sufficient guarantees to mitigate this risk.

The Group has always taken a conservative approach to business transactions; it has risk committees that continually review limits, open positions and automated system alerts. As a result, the Group's trade credit non-performance ratio has been historically low. In addition, the sales and collections management departments work in a coordinated manner. Counterparties are selected on the basis of the credit ratings awarded by the credit insurance providers with which the Group works, these policies ultimately serving as guarantees. The Group's high level of geographic diversification results in a low level of customer credit risk concentration.

Fair value of financial instruments

The table below breaks down the Group's financial assets and liabilities at December 31, 2016 (in thousands of euros) other than its accounts payable and receivable or its cash and cash equivalents whose carrying amounts are deemed a reasonable approximation of their fair value. The carrying amounts shown in the table below are not materially different from these instruments' fair value.

	<u>Carrying amount at year-end 2016</u>	<u>Carrying amount at year-end 2015</u>
Financial assets		
Loans	30,414	33,640
Equity instruments	38,642	26,608
Other instruments	2,331	2,061
<u>TOTAL NON-CURRENT</u>	71,387	62,309
Loans	3,511	3,252
Other instruments	1,556	1,882
Derivatives	3,909	2,392
<u>TOTAL CURRENT</u>	8,976	7,526
Financial liabilities		
Loans and credit facilities	406,607	368,777
Other financial liabilities	88,883	70,034
<u>TOTAL NON-CURRENT</u>	495,490	438,811
Loans and credit facilities	239,984	197,568
Other financial liabilities	1,976	3,409
Derivatives	1,104	579
<u>TOTAL CURRENT</u>	243,064	201,556

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Financial assets and liabilities measured at fair value: fair value hierarchy

All of the financial instruments measured at fair value are classified into one of the following levels depending on the inputs used to value them:

- Level 1. Use of quoted prices in active markets of identical assets and liabilities (without any adjustment)
- Level 2. Use of directly or indirectly observable inputs (other than level 1 quoted prices)
- Level 3. Use of unobservable inputs

	<u>Year-end 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets				
Equity instruments	-	-	-	-
Derivatives	3,909	-	3,909	-
Financial liabilities				
Other financial liabilities	80,464	-	-	80,464
Derivatives	1,104	-	1,104	-

	<u>Year-end 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets				
Equity instruments	846	846	-	-
Derivatives	2,392	-	2,392	-
Financial liabilities				
Other financial liabilities	62,981	-	-	62,981
Derivatives	579	-	579	-

Level 3 reflects the liability recognized under IAS 39 in connection with the shareholdings pending acquisition in Herba Ingredients, Santa Rita Harinas and the Garofalo Group.

The Group does not hold any financial instruments whose fair value cannot be reliably measured. No instruments were transferred between the various fair value hierarchy levels in the course of 2014.

29. ENVIRONMENTAL DISCLOSURES

The productive processes used at the Group's various factories, in both the rice and the pasta divisions, are relatively simple agricultural food processes that do not have a major impact on the environment and entail minimum risk of accidental contamination. The most significant environmental aspects pertaining to the Group can be categorized as follows:

Air emissions: essentially the emission of particles related to the manipulation of cereals (rice and wheat) and gases produced in the combustion processes used to produce vapor and dry raw materials. The fuel most widely used is natural gas.

Greenhouse gas emissions (GHGs): the Group's GHG emissions derive from its energy consumption, use of fossil fuels and electricity usage.

Productive processes: essentially mechanic and hydrothermal, these processes require the use of very few chemical products, and in very small amounts. Most of these products are used to clean equipment and sanitize raw materials and are relatively safe for the environment.

Water consumption: the Group uses relatively little water in its manufacturing processes (most of its products are dry products), so that the volume of wastewater produced is also small. Moreover, the wastewater generated is relatively uncontaminated as the water consumed is used basically to produce vapor, as a refrigerant or as an ingredient in finished products.

Waste generation and management: the Group generates minimum amounts of waste, including both non-hazardous (mainly ingredient and auxiliary material packaging) and hazardous (maintenance operations) waste.

To minimize its environmental footprint, Ebro Foods builds environmental protection into its business development and deploys the tools, measures and resources needed to guarantee protection at its subsidiaries. More specifically, the Group's environmental policy is articulated around three lines of initiative:

- Ensuring that its companies comply with applicable environmental legislation in carrying out their business activities by means of the rollout of in-house management systems and monitoring of prevailing legislation in this arena.
- Minimizing the environmental impact of its business operations by searching for eco-efficient solutions and continually rolling out initiatives designed to reduce its emissions and waste generation and to optimize consumption of water, energy and packaging materials.
- Suitably and safely managing all its waste, fostering recycling and reuse. Using recycled and/or environmentally-friendly raw materials whenever possible.
- Rolling out environmental employee training and awareness programs.

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To guarantee compliance with the packaging and packaging waste reduction, recycling and recovery objectives laid down in Spanish Law 11/97, of April 24, 1997, the Group's Spanish subsidiary Herba is a member of Ecoembalajes España, S.A. (Ecoembes), whose mission is to design and develop systems oriented towards collecting, sorting and recovering used packaging and packaging waste. Ecoembes uses the concept known as the Green Dot (the symbol featured on the packaging) to certify that the product's packager has paid a certain amount of money for each item of packaging it places on the market.

In tandem, both the European rice subsidiaries and Ebro Foods' head offices have entered into agreements with entities akin to Ecoembes for the destruction of paper and other materials. These agreements allow them not only to comply with data protection legislation but also to guarantee the sustainable management of this documentation through recycling commitments.

The Ebro Group also intervenes in the rest of its value chain. It has embarked on a program to control the environmental performance (along ESG dimensions) of its industrial suppliers by means of ethics audits, helping them to enhance their environmental management practices as appropriate. The management tool being used to this end is the Sedex platform. Against this backdrop, in 2016, the Group created a 'Holding account' within that platform into which all its rice subsidiaries have already been integrated. As a result, this program is already underway with the Group's most critical rice suppliers.

The Group is also working actively on researching and promoting environmentally-sustainable farming practices for use in the production of its agricultural raw materials; the focus of this effort is currently on rice. This work is taking the form of in-house initiatives and ad-hoc collaborations with stakeholders and sector associations.

Thus, with the aim of expanding the scope of its projects in this arena, the Group has joined the SAI Platform (see the 2015 report). Under the umbrella of this platform, it is worth highlighting the SAIRISI project initiated in Italy with several members of the SAI-P (Unilever, KGG, Migros) with the goal of evaluating growers under the SAI-P standard and offering them specialist training via Enterisi and sector professionals (universities, NGOs, etc.) so that they can improve their performance. This project, in which 60 farmers participated, consisted of three training sessions and two rice paddy visits and was a resounding success. The project is set to continue in 2017 with over 150 farmers.

We also initiated a project in collaboration with Kellogg's in the Ebro Delta with the aim of developing strategies for mitigating GHG emissions in rice fields.

Elsewhere, the SAI standard is also enabling us to evaluate and showcase our own sustainability performance. At the end of 2016, we commissioned an independent third party to assess a representative sample of the rice growers that supply us with rice in Seville for sale under our Brillante trademark, which has enabled us to add the gold quality seal to our Brillante rice packaging.

In addition to the SAI Platform, in 2016, the Group joined the Sustainable Rice Platform (SRP) whose aim is broadly similar to that of the SAI-P, albeit with a specific focus on rice and targeted at rice-growers in developing markets. The Group plans to foster implementation of SRP's sustainable rice-growing standard in India, Pakistan and the Asian countries where it procures rice.

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Lastly, various Group companies have arranged civil liability insurance that covers third-party damages caused by a sudden and unintentional spill. Management believes that this policy adequately covers any potential risk in this respect. To date, the Group has not been party to any material environmental-related claims; on the other hand, it can claim a positive record on the basis of the results of audits and inspections and the lack of any pleas in respect of its integrated environmental permit processes, etc.

30. FEES PAID TO AUDITORS

External services in the consolidated income statement include the fees paid to the auditors of the consolidated financial statements.

The fees paid for account auditing and other services to the Company's auditor, Ernst & Young, S.L., and entities related to the latter by means of control, joint ownership or joint management, in 2016 and 2015 were as follows:

- The fees corresponding to auditing services provided in 2016 amounted to 1,470 (2015: 1,450) thousand euros; those corresponding to other assurance services amounted to 197 (2015: 124) thousand euros.
- The fees for tax advisory and and/other services totaled 267 (2015: 196) thousand euros.

31. EVENTS AFTER THE REPORTING PERIOD

In December 2016, the Group merged several US-resident companies with the aim of simplifying and streamlining its structure in that market (Ebro North America) and reducing costs, reasons deemed valid from an economic and tax perspective. That reorganization, which culminated in the merger of the Group's two main North American subsidiaries (Riviana Foods, Inc. and New World Pasta, Inc., the latter merging into the former) was structured as a tax-free reorganization in the US; the equivalent tax-neutral regime will be availed of in Spain over the course of 2017 (specifically the regime provided for in Chapter VII of Title VII of Spain's Corporate Income Tax Act (Law 27/2014)). The merger is effective for legal and financial purposes from January 1, 2017.

The Ebro Group, through its French subsidiary, Alimentation Sante, acquired 100% of Vegetalia, S.L. and of Corporacio Alimentaria Satoki, S.L. (together, "Vegetalia") on January 19, 2017. The chain of restaurants operated under the Vegetalia trademark was carved out from the scope of the transaction. This group has been making and distributing a broad range of organic products since 1986, having pioneered the manufacture of plant protein. Annually it sells around 1,500 products, ranging from fresh organic produce to dry organic foods, organic drinks and diet products. It generated revenue of €11.5 million in 2016. Vegetalia is based in Castellcir (Barcelona) and it employs over 80 people at its complex. It also grows organic vegetables on around 70 hectares which it then consumes to make its products. The acquisition price was €15 million.

There have been no other significant events or developments between the end of the reporting period and the date of authorizing the accompanying financial statements for issue.

1. COMPANY SITUATION

Organizational structure and business model

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

The Group has decentralized certain areas of management with a view to focusing on the business while maintaining a lean and dynamic structure that prioritizes performance, cohesion and market knowledge.

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

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

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

Bio health food and organic food: this is the Group's newest business. It is being consolidated in the wake the recent acquisitions of Celnat and Vegetalia and the activities performed by all its subsidiaries in the bio and organic health food areas. It is included under the pasta business on account of its recent creation.

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

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

Production of the products sold by the Group relies heavily on the use of rice and durum wheat, although new grains such as quinoa and other ancient grains are gradually being added to the mix.

Rice is the most widely-consumed grain in the world; however, as some of the world's largest producers consume more than they produce (China, Philippines and Indonesia), the global rice trade is smaller than that of other grains and cereals.

2016 MANAGEMENT REPORT (figures in thousands of euros)

The sources of the rice sold by Ebro vary depending on the type of grain and quality/abundance of rice harvests. Supply sources can be grouped into three major regions which produce different varieties of rice: the US, southern Europe and Southeast Asia.

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

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

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

Strategic objectives

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

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

- Organic and M&A-led growth in large and established markets and, in parallel, the search for opportunities in high-potential developing markets.
 - o Penetration of new markets and product categories with a strategic focus on new fresh products (aperitifs, crisps, omelets, sandwiches, pizzas, ready meals) and new and more value-added ingredient ranges.
 - o Development of products that offer a fuller culinary experience by adding new formats (maxi-cups, compact cups, etc.), flavors (dry pasta with the quality of fresh pasta, cup and sauce ranges) and meal solutions (pan-fried rice and pasta dishes, Banzai noodle cups, etc.)
 - o Significant positioning in the health and organic food segments by leveraging new concepts based on ancient grains, gluten-free foods, quinoa, etc. Acquisition of CELNAT.
 - o Leadership in mature markets by focusing strategically on product quality. Expansion and leadership of the premium products category. Development of the Garofalo brand.

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2016 MANAGEMENT REPORT (figures in thousands of euros)

- Expanded geographic footprint and rounding out of the product/country matrix:
 - Search for business opportunities in mature markets with business profiles similar to that of the Group and specialist players in niche segments (Rice Select, Monterrat, CELNAT) that enable the Group take a qualitative step forward in its strategy of shifting away from its generalist positioning to positioning as a multi-specialist (individual solutions).
 - Entry into new business niches in existing markets (India, Middle East, Eastern Europe and Africa).
 - Expansion of successful formulae into markets in which Ebro is already present (fresh products).
- Product differentiation and innovation. The Ebro Foods Group's product development strategy is structured around two articulating lines of initiative:
 - Research, development and innovation (R&D). The Group has four proprietary R&D centers. Its investment policy is designed to allow the crystallization of new ideas and consumer needs into tangible customer solutions.
 - The Group aims to have the leading brands in its respective segments, to which end it supports them with the required advertising budgets.
- Low risk exposure. The business was marked by growing raw material price volatility in prior years, coupled with accelerating changes in consumer trends. The Ebro Group faces these challenges through firm strategic commitments to both change and sustainability. To this end it seeks balanced sources of recurring income (markets, currencies), low leverage in order to withstand financial turbulence, new sources of supply and the establishment of long-term relationships with its stakeholders (customers, suppliers, directors, employees, society).

2. BUSINESS PERFORMANCE AND RESULTS

Environment

2016 was marked by continuation of the recovery underway across the main developed economies, albeit not exempt from the odd surprise, particularly on the political front. On average, the eurozone registered GDP growth of 1.7%, fueled by domestic consumption and an ultra-lax monetary policy. The outlook is positive, shaped by a widespread rise in confidence, growth in global trade buoyed by a weak euro and less restrictive fiscal policies. Nevertheless, political risks linger, albeit dissipating somewhat of late.

US economic growth slowed a little over the course of the year: in 2016, it registered growth of 1.6%, below that of prior years. However, its key macroeconomic indicators paint an ideal picture: virtual full employment, inflation under control, growth in jobholder numbers and, at last, growth in average wages. This scenario has prompted a shift in monetary policy. Consumer confidence is growing, boosted by the fiscal stimuli promised by the new president.

2016 MANAGEMENT REPORT (figures in thousands of euros)

Despite the fact that macroeconomic variables bode well for confidence, there are certain clouds hanging over the outlook for trade in light of the specter of protectionism and opportunistic policy-making. Although the outlook for cyclical products is promising, developments will have to be watched closely.

As for consumption patterns, certain anticipated trends are making inroads with consumers who are seeing their purchasing power rise. Meanwhile, the family unit (in developed economies) has changed significantly. The key trends:

- Preference for natural, healthy and organic foods. The need to go back to nature and for these classes of products to cease to be considered elitist or within the reach of the high-income few.
- Consumers have become more cautious: they are buying less, buying cheaper and have added high-quality private labels to their shopping baskets; however, they are willing to pay more for products that satisfy their demands for quality, convenience and immediate consumption.
- Growth in neighborhood supermarkets which are visited more frequently and the advent of new players (online) on the distribution side of the business.

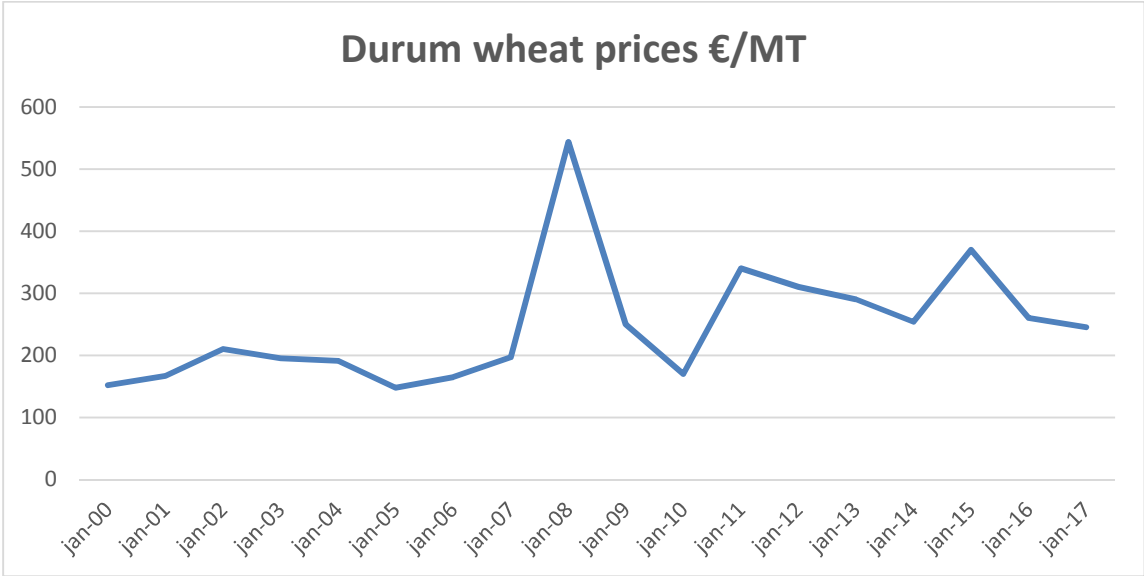
Other factors driving consumption trends include population ageing in the developed economies, immigration that is bringing new eating habits, new generations of internet-proficient consumers (millennials, generation Z) and new ways of cooking and eating (to order, from vending machines, snacking instead of sitting down, etc.). Inevitably, food companies must also take stock of the unstoppable growth in internet penetration and capabilities; shoppers can readily compare prices and product characteristics and we are seeing a proliferation of robotic-style applications (driverless cars, drones, etc.) with the power to similarly change how we shop for and eat our food. All these changes imply challenges for the food retail segment and for producers in terms of reaching and retaining their customers with marketing techniques that have little or nothing to do with the rules of play that reined until a decade ago. Today the social networks and the 'authority' commanded by trend-setters are growing in importance.

The commodity markets in general and the grain markets (corn, wheat and rice) in particular were stable, with inventory levels at highs for recent years (see the IGC's reports).

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The chart below depicts the trend in durum wheat prices, evidencing the stability observed last year relative to the volatility of prior years.



Source: Terre.net and Ebro data

Prices were steady at around €250/MT in 2016, falling slightly as the new harvest approached. The tightening customary around harvest time drove a fresh rebound in prices which ended the year slightly below the levels observed at the start of the year.

Rice stocks from the 2015-16 harvest were at record highs as a result of an abundant harvest and high end-of-season stocks in recent years. Against this backdrop, prices held steady or trended lower, other than the prices of certain regional varieties. The most recent harvest was magnificent, up 2% year-on-year, marking a new record of 481.5 million tonnes (of white rice equivalent) thanks to stronger harvests in regions hit by the *Niño* phenomenon the season before in South Asia (particularly India), Southeast Asia and South America.

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Group financial performance

The Group's key financial indicators are presented below:

CONSOLIDATED FIGURES (thousands of euros)		2014	2015	2015/2014	2016	2016/2015	CAGR 2016/14
Revenue		2,120,722	2,461,915	16.1%	2,459,246	-0.1%	7.7%
EBITDA		287,251	314,724	9.6%	344,141	9.3%	9.5%
	EBITDA margin, %	13.5%	12.8%		14.0%		
EBIT		227,242	246,314	8.4%	267,308	8.5%	8.5%
	EBIT margin, %	10.7%	10.0%		10.9%		
Profit before tax		215,749	229,722	6.5%	259,410	12.9%	9.7%
	PBT margin, %	10.2%	9.3%		10.5%		
Tax		(64,407)	(79,034)	-22.7%	(83,591)	-5.8%	13.9%
	Tax/revenue, %	-3.0%	-3.2%		-3.4%		
Profit for the year from continuing operations		151,342	150,688	-0.4%	175,819	16.7%	7.8%
	As a % of revenue	7.1%	6.1%		7.1%		
Profit/(loss) after tax for the year from discontinued operations		(2,223)		-100.0%			-100.0%
	As a % of revenue	-0.1%					
Net profit		146,013	144,846	-0.8%	169,724	17.2%	7.8%
	Net profit margin, %	6.9%	5.9%		6.9%		
Average working capital requirement		442,036	482,300	-9.1%	461,991	4.2%	
Capital employed		1,363,346	1,579,447	-15.9%	1,611,272	-2.0%	
ROCE (1)		16.7	15.6		16.6		
Capex (2)		67,123	81,466	21.4%	107,725	32.2%	
Average headcount		5,189	5,759	11.0%	6,195	7.6%	
		YE14	YE15	2015/2014	YE16	2016/2015	
Equity		1,849,485	1,966,259	6.3%	2,079,326	5.8%	
Net debt		405,617	426,280	5.1%	443,206	4.0%	
Average net debt		333,178	424,940	27.5%	404,137	-4.9%	
Leverage (3)		0.18	0.22		0.19		
Total assets		3,162,068	3,403,676		3,645,478		

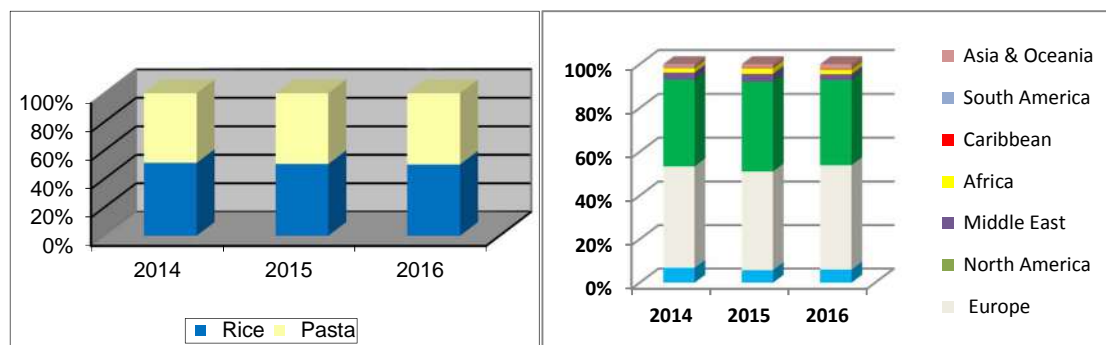
(1) ROCE = (trailing twelve months EBIT / (intangible assets - PP&E - working capital)

(2) Capex: cash outflows for investment purposes

(3) Ratio of average net interest-bearing debt to equity (excluding non-controlling interests)

Revenue was flat year-on-year due to lower prices on the back of a correction in commodity prices. Acquisitions accounted for a revenue boost of €52.5 million. Business volumes rose in all markets in the rice business but were uneven in the pasta business (growth in Europe, slight contraction in the US). The impact of exchange rate movements was not significant. The CAGR of 7.7% reflects organic growth, driven by format and product innovation, and M&A-led growth.

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



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EBITDA rose by 9.3%, shaped by a 7.2 million euro contribution by new businesses and relatively unmarked by exchange rate trends. The Group's earnings performance was particularly strong in the rice business, which recorded record levels of profitability; in the pasta business, 2016 was a good year in Europe and another tough year in US where price and promotion wars remained rife (the market contracted by 0.8% by value, despite having increased by the same amount in volume terms).

The EBITDA margin came in at 14.0%, expanding considerably across the European subsidiaries, while the US businesses' profitability continued to suffer the brunt of fierce price competition.

Profit for the year from continuing operations increased by 16.7% thanks to higher margins and non-recurring gains (from the sale of the business in Puerto Rico and an investment property in Spain), partially offset by non-recurring charges associated with provisions recognized for certain retirement benefit obligations in France.

The Group's **ROCE** increased to 16.6%, underpinned by the growth in profits relative to stable average capital employed.

Analysis of the Group's balance sheet

The trend in the Group's balance sheet in the last three years evidences the business combinations completed during this period: the Garofalo Group (June 2014), the RiceSelect assets (June 2015), Roland Monterrat (September 2015) and the Celnat assets (January 2016), and the sales and derecognition of the assets associated with the business in Puerto Rico (January 2016).

The main movements in Group assets:

- The accounting treatment of these business combinations (which affected property, plant and equipment, intangible assets, goodwill, net current assets and borrowings).
- The impact of the trend in the dollar rate on the dollar balances of the subsidiaries exposed to this currency (the exchange rate went from \$/€1.21 in 2014 to 1.05 in 2016, the bulk of which movement concentrated in 2015) which represent roughly half of the Group's assets.
- A substantial increase in the working capital requirement at the end of 2016 due to a shift in the basmati rice procurement policy, namely the decision to centralize the purchase of this grain through the Group's subsidiary in India to the detriment of third parties.

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Other assets and other liabilities mainly comprise deferred taxes (this heading increased due to business combinations), provisions for pension obligations and provisions for charges (notes 10 and 19 of the consolidated financial statements).

ITEM	STATEMENT OF FINANCIAL POSITION				
	2014	2015	2015/2014	2016	2016/2015
Intangible assets	433,974	466,214	32,240	462,928	(3,286)
Property, plant and equipment	612,771	688,239	75,468	737,452	49,213
Investment properties	30,832	29,927	(905)	25,882	(4,045)
PP&E AND INTANGIBLE ASSETS	1,077,577	1,184,380	106,803	1,226,262	41,882
Financial assets	67,732	62,309	(5,423)	71,399	9,090
Goodwill	932,596	990,885	58,289	1,029,715	38,830
Other current assets and liabilities	55,871	74,301	18,430	83,068	8,767
Inventories	428,107	438,579	10,472	488,821	50,242
Trade receivables, Group companies	0	0	0	0	0
Trade receivables	349,117	372,823	23,706	369,808	(3,015)
Other accounts receivable	56,556	66,369	9,813	81,156	14,787
Trade payables, Group companies	0	0	0	0	0
Trade payables	(285,970)	(312,536)	(26,566)	(302,147)	10,389
Other accounts payable	(97,234)	(112,121)	(14,887)	(119,465)	(7,344)
NET CURRENT ASSETS (WORKING CAPITAL)	450,576	453,114	2,538	518,173	65,059
NET INVESTMENT	2,584,352	2,764,989	180,637	2,928,617	163,628
Capital	92,319	92,319	0	92,319	0
Reserves	1,611,430	1,729,094	117,664	1,817,283	88,189
Profit attributable to owners of the parent	146,013	144,846	(1,167)	169,724	24,878
Less: Interim dividend	0	0	0	0	0
Less: Own shares	(277)	0	277	0	0
CAPITAL AND RESERVES	1,849,485	1,966,259	116,774	2,079,326	113,067
Non-controlling interests	24,320	26,657	2,337	27,075	418
Other sources of funding	304,930	345,793	40,863	379,010	33,217
Loans from Group companies and associates: Re	0	0	0	0	0
Less: Loans from Group companies and associate	0	0	0	0	0
Bank borrowings	513,053	564,532	51,479	643,786	79,254
Special financing	84,843	73,386	(11,457)	90,760	17,374
Less: Cash on hand and at banks	(191,477)	(206,994)	(15,517)	(291,030)	(84,036)
Less: Short-term investments	(802)	(4,644)	(3,842)	(310)	4,334
NET BORROWINGS	405,617	426,280	20,663	443,206	16,926
TOTAL FUNDS	2,584,352	2,764,989	180,637	2,928,617	163,628

In order to properly understand the Group's working capital requirement and how it is funded, it is important to analyze the factor with the biggest impact on these headings: the volume and measurement of Group inventories. Inventory volumes are sharply cyclical, moving in tandem with rice and wheat harvests, particularly the rice harvest for which the inventory cycle is longest. More specifically, inventory volumes are at their lowest at the end of the rice season (end of summer) and at their highest at the end of the year and start of the next year, after the various purchase contracts have been arranged.

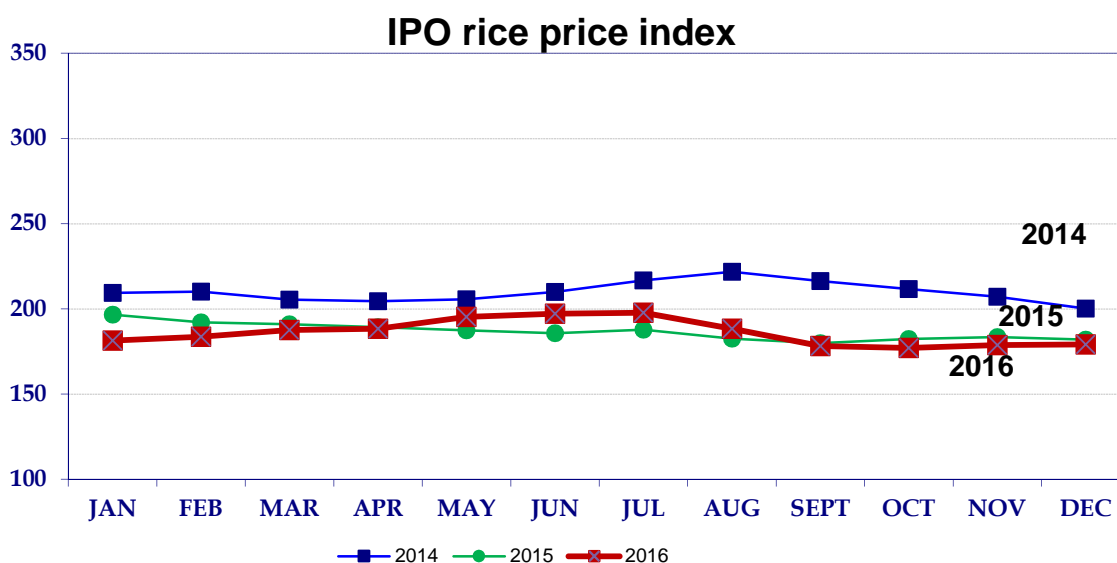
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2016 MANAGEMENT REPORT (figures in thousands of euros)

Rice business

RICE BUSINESS (thousands of euros)	2014	2015	2015/2014	2016	2016/2015	CAGR 2016/14
Revenue	1,139,697	1,287,726	13.0%	1,283,853	-0.3%	6.1%
EBITDA	148,828	176,959	18.9%	196,264	10.9%	14.8%
<i>EBITDA margin, %</i>	13.1%	13.7%		15.3%		
EBIT	121,789	147,509	21.1%	163,561	10.9%	15.9%
<i>EBIT margin, %</i>	10.7%	11.5%		12.7%		
Average working capital requirement	339,882	360,709	-6.1%	362,483	-0.5%	
Capital employed	767,771	861,763	-12.2%	891,758	-3.5%	
ROCE	15.9	17.1		18.3		
Capex	32,440	39,555	21.9%	47,391	19.8%	

As indicated in the section addressing the business environment, the market was broadly stable in terms of prices, with global production and stock levels at historically high levels. The new 2016/17 harvest was also excellent, so that supply and prices remained stable until the end of the year.



By region, we would highlight the abundant sowing and harvesting of short-grain rice in Europe, where growers pared back the area devoted to long-grain rice which was proving uncompetitive relative to EBA producers. This development facilitated supply and local price stability relative to the tightening of recent years.

In the US, the 2015/16 season was somewhat shorter year-on-year but local stocks were high and low international prices kept a lid on prices throughout the first half.

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The 2016/17 season was stellar, marked by an increase in planted area of 22% due to a combination of headwinds (weather related, end of water restrictions in Texas, lack of more profitable alternatives) to yield the second-highest harvest in history. This situation drove prices lower.

US harvest prices (source: USDA)

August-July

\$/cwt	16/17 (*)	15/16	14/15	13/14
Average price	10.1-10.9	12.2	13.4	16.3
Long grain	9.5-10.1	11.2	11.9	15.4
Medium grain	12.0-12.8	15.3	18.3	19.2

(*) Estimated range

Basmati rice was the exception: the planted area was smaller, resulting in a similarly smaller harvest (relative to other varieties that are more profitable for rice-growers and have put the country at the top of the global ranks of exporters) driving prices significantly higher and even triggering contract non-performance.

Revenue was flat, masked by slight growth in sales volumes offset by lower prices, in keeping with the prices paid to source the rice. The full-year contribution by Rice Select was offset by the derecognition of the Puerto Rican business. Highlights:

- A very productive year in terms of new product launches, particularly a high number of new products designed to tap into the health and convenience trends. Ranges developed and tested successfully in Spain were introduced in the Group's leading European markets, revitalizing the products experiencing competition from private-label brands.
- A new category was created within the "cups" format based on alternative grains (quinoa, chia seeds, etc.) and pulses, offering healthy and convenience in one. Some of these products are already best-sellers: the combination of white and red quinoa is the fourth best-selling product in this category in Spain.
- Growth in specialty, high value-added flours through Group subsidiary Herba Ingredients remained in the double digits (+25%).
- Consolidation of the Indian subsidiary which in addition to serving as a supply hub is also increasing its local business: revenue from sales of branded products jumped 25% to €28 million.
- In the US, the Group's market share was stable at 22.34% by volume (XAOC Nielsen) increasingly slightly in all segments other than the major traditional rice formats (which generate less added value).
- Sales in the Middle East narrowed on the back of a drop in the stocks held by the distributors of our Abu Bint brand. This should prove a temporary phenomenon.

EBITDA registered growth of 10.9%, implying margin expansion (margin: 15.3% in 2016 vs. 13.7% in 2015). This growth was purely organic as the exit of the Puerto Rican business was fully offset by the first full year's contribution by Rice Select).

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The advertising spend in this business increased by €1.5 million, which is a third higher than back in 2013 and 2014, in keeping with the sales and innovation impetus and thrust in this business.

Riviana hit a new profit record, generating 123 million US dollars of EBITDA (+14.7% YoY), of which only a small portion corresponds to the consolidation for the first full year of the Rice Select assets (contribution of 3.2 million US\$) and despite the fact that the weak 2015/16 Texmati harvest prevented this unit from meeting its targeted earnings performance.

As for the other key markets, the branded business in Spain performed particularly well, while the other European countries are evolving at differing rates depending on the scheduled rollout of the new product ranges: profitability is up strongly in the Netherlands, while this process is still more nascent in Germany.

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

	2014	2015	%	2016	%
Spain	28,539	23,191	32.2%	27,903	35.8%
Europe	40,873	41,307	57.4%	40,261	51.6%
Other	3,916	7,522	10.4%	9,845	12.6%
Total EBITDA	73,328	72,020	100.0%	78,009	100.0%

The growth under rest of the world reflects the growth in the businesses in India and Thailand where the Group has shored up its presence in order to lock in the supply of long and aromatic grains at prices and quality standards that meet the Group's thresholds and to gradually make inroads into the local markets.

The **ROCE** in the rice business rose once again on the back of higher profitability relative to stable capital employed year-on-year.

Capital expenditure increased again in 2016 and was focused on the high-growth business lines. The most important investments undertaken in the rice business (capex) related to a new flour and ingredients production line (3.9 million euros), a new frozen goods factory in the UK (1.4 million euros), expansion of the facilities in India (2.2 million euros), new finished product warehouses in Antwerp (9.9 million euros) and Amsterdam (1 million euros), new facilities in Cambodia (1.9 million euros), expansion of instant rice production capacity in Memphis (1.8 million euros), completion of the gluten-free project in Memphis (2.2 million euros) and automation of the packaging lines at the Freeport factory (3.7 million euros).

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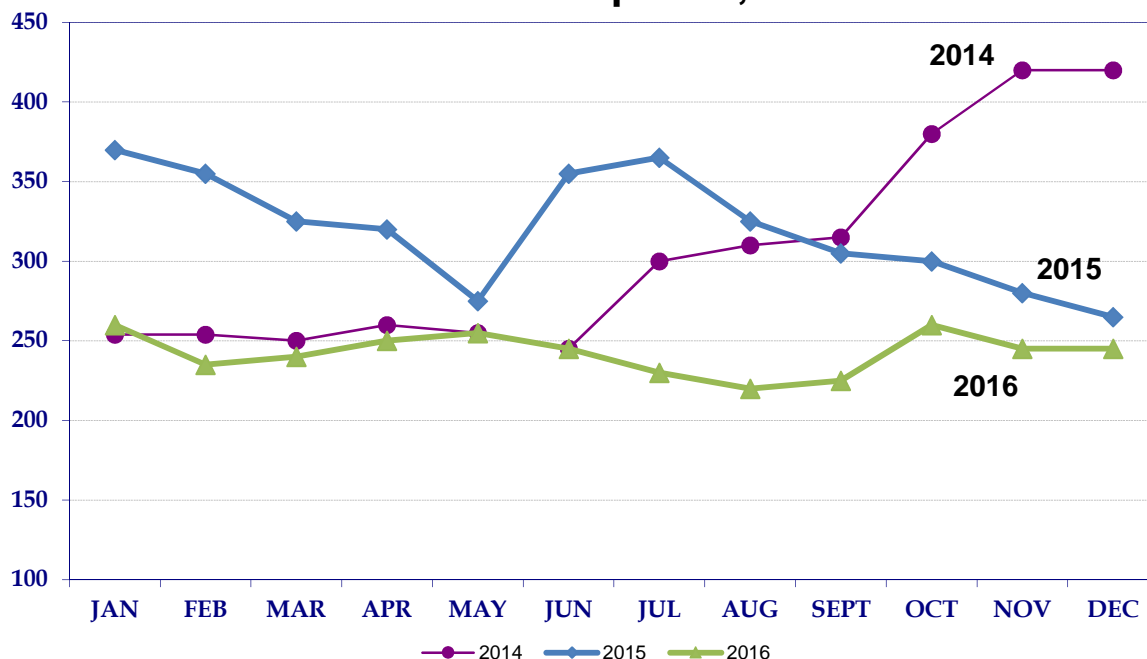
2016 MANAGEMENT REPORT (figures in thousands of euros)

Pasta business

PASTA BUSINESS (thousands of euros)	2014	2015	2015/2014	2016	2016/2015	CAGR 2016/14
Revenue	1,029,294	1,224,491	19.0%	1,236,227	1.0%	9.6%
EBITDA	146,317	148,647	1.6%	157,089	5.7%	3.6%
	<i>EBITDA margin, %</i>	14.2%	12.1%	12.7%		
EBIT	114,397	110,477	-3.4%	113,544	2.8%	-0.4%
	<i>EBIT margin, %</i>	11.1%	9.0%	9.2%		
Average working capital requirement	94,810	107,261	-13.1%	97,015	9.6%	
Capital employed	578,767	691,071	-19.4%	709,253	-2.6%	
ROCE	20.5	16.1		16.2		
Capex	34,249	40,683	18.8%	59,701	46.7%	

Durum wheat prices were very stable throughout 2016. This cereal's harvests and yields varied significantly across the various producer regions however. The stocks left over from the 2015/16 harvest were abundant (albeit less than optimal quality-wise); the 2016/17 harvest was largely a repeat of this situation, with area and yields rising in the main producer countries (US, Canada and southern Europe) but of scant quality in northern France and Canada due to the late arrival of rains (low concentration in the grain of the protein that gives the pasta produced its quality). Nevertheless, cereal harvests are at all-time highs, injecting great stability into the market, as is evidenced in the trend in prices over the past three years.

Durum wheat prices, €/tonne



Source: Terre.net

The series of prices paid to farmers in the US published by the US Department of Agriculture shows a clear-cut downward trend, ranging from 9.16 dollars per bushel in June 2015 to an average settlement price of 6.27 dollars/bushel in December 2016.

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Revenue inched 1% higher thanks to the first-time consolidation of other businesses which added 64 million euros to the topline in 2016 (nine months more of Monterrat and the first year of Celnat); in contrast, prices exerted evident downward pressure on revenue.

By geography:

- ✓ In France, dry pasta sales rose by 1.7% by volume to put the Group's share of the retail sector at 37.6%; note that this sector contracted by 0.4% as a whole. The growth in sales and market share similarly extended to the fresh pasta segment, where the Group's share increased to 39.1% by volumes; however, the sauce segment was stagnant due to various customer negotiation issues in the first quarter of the year. Volume growth drove revenue 26 million euros higher. Prices had the opposite effect (detracting from revenue by 38 million euros) as the Group passed the contraction in durum wheat prices on to its customers.

A significant portion of growth was underpinned by innovation, notable among which the new dry pasta products with the quality of fresh pasta (2,427 tonnes sold in 2016 vs. 1,247 tonnes in 2015), 811 tonnes of sales of new product ranges based on ancient grains and combinations with rice or pulses and growth of 35.9% in sales of gnocchi for pan-frying whose range was expanded further (total sales of 12,703 tonnes) making it the Group's flagship for innovation and the example to follow for the new ranges of Spanish *tortilla*, *croque monsieur* and pizza.

It is worth singling out the integration of CELNAT, acquired in January 2016. CELNAT is a pioneer in the organic food business and one of France's most important organic cereal producers. It boasts a very strong position in the high-end organic food category and an excellent reputation in the specialist retail circles in which it makes 95% of its sales. Its integration went as planned and the plan is to convert it into the kernel for development of the new health food business.

- ✓ It was another great year for Garofalo, which reported growth in volumes and profits. Its share of the premium dry pasta segment in Italy increased to 5% by volume and 7.5% by value. Distribution of its products in Spain increased by 35%.
- ✓ United States. This is a highly complex market in which price competition is fierce and promotions are the norm. The Group's strategy last year was to fortify its top brands to shore up sales volumes and brand recognition and to position new product lines in the health and well-being segment (ancient grains, super-greens, gluten free and organic lines). To this end, it was very active marketing its local brands (expanding the reach of American Beauty for examples), increasing promotions by 10% and the advertising spend by 64%. New World Pasta commands a market share by volume of 18.8%.
- ✓ Canada. As in the US, the downtrend in supply prices had a deflationary effect (volumes grew by 3.8% but sales value climbed only 2% higher) with a fair number of players deploying aggressive price tactics.

The Group similarly responded with more promotions and advertising. Catelli Foods continues to lead the market with a share of 31.0% by volume. The fresh pasta segment registered growth by volume and value of 2.3% and 3.0%, respectively, and Olivieri defended its leadership with a market share of 45.1%.

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despite intensifying competition from manufacturer and retailer brands alike.

EBITDA growth was 5.7%. The contribution by Roland Monterrat amounted to €4.3 million (1.7 million in three months in 2015), while CELNAT's contribution (12 months) was 3.2 million euros.

France increased its contribution to €99.4 million, driven by organic growth of €4.2 million, despite growth of 10% in the advertising spend. The growth in profitability was driven by higher volumes and productivity gains along the entire value chain, despite the fact that the fresh sandwiches sold by Roland Monterrat encountered fierce competition, prompting the formulation of a profitability enhancement plan via gradual integration into Panzani's structure.

Garofalo contributed 20.1 million euros, up 16% from 2015, despite investing 10% more in advertising. This company so extended its impeccable track record in a deflated market in which it raised its profitability by extending its brand and managing its purchase of top-quality durum wheat nimbly.

New World Pasta fared less favorably in both the dry pasta segment in which it was obliged to undertake harsh price and promotion negotiations and in the fresh pasta business (the pasta and accompanying sauces sold under the Olivieri brand in Canada). This business's contribution to the Group declined by 5.8 million euros (having increased its advertising spend by 9.3 million euros); erosion of the Olivieri brand translated into the recognition of an impairment charge of 10 million Canadian dollars (go to note 9 of the financial statements).

The pasta business's **ROCE** was virtually flat at 16.2%.

Capex was concentrated at the factory level. Specifically, the Group added capacity and drove productivity gains in fresh products in Communay (4 million euros to put investment to date at 33.5 million euros), added a new long pasta production line (4 million euros), invested in a logistics warehouse in northern France (13.4 million euros), increased productivity at Roland Monterrat (3 million euros), added a new short pasta production line at Garofalo (2.4 million euros) and introduced productivity upgrades at the long pasta line in Winchester (2 million euros).

Staff matters and environmental disclosures

Employees

One of the most important sources of value creation at the Ebro Group is its more than 6,000 professionals. A close-knit team of talented professionals aligned with the organization's strategy. Through the various subsidiaries' HR departments, the Group strives to motivate them, offer them rewarding work and nurture their professional skills and knowledge.

The Group's ultimate objective on the labor front is to foster mutually-beneficial labor relations, make its employees feel vested in the organization, encourage their career development, promote equal opportunities and adopt and enforce a zero-tolerance stance on discrimination.

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The Group's policy is to decentralize staff management as this enables close contact and familiarity with its people. There are HR managers for each of the Group's most important companies and each has the ability to implement policies tailored for the specific characteristics of their respective business markets. These policies not only include general guidelines for regulating company-employee relations but also encompass specific occupational health and safety, training and education, diversity and equal opportunities and equal pay guidelines and policies. The subsidiaries with reduced staff levels (predominantly sales companies with less than 10 employees) are governed by the labor laws in effect in the countries in which they work.

Above all of these guidelines, and notwithstanding the terms of the above-listed specific policies, is the Corporate Code of Conduct which stipulates not only ethical and responsible professional conduct on the part of the people working at all of the Group's companies but also serves as a guide for defining minimum policy targets and job guarantees, specifically:

- Workplace health and safety.
- Training and career development for all employees.
- The Group's pledge to guarantee zero discrimination, diversity and equal job opportunities (this commitment includes aspects related to gender equality, the employment of people with differing abilities and promotion of different cultures).
- The freedom of association.
- Compliance with collective bargaining rights.

Note 8.4 of the consolidated financial statements breaks down the Group's headcount by job category. The following is a snapshot of the Group's workforce using diversity indicators prepared in accordance with the Global Reporting Initiative (the G4 Guidelines):

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2016 MANAGEMENT REPORT (figures in thousands of euros)

% MEN	% WOMEN
72.04%	27.96%
Age range: 30 - 50 years old	Age range: 30 - 50 years old
53.22%	52.81%
Average years of service	Average years of service
12.35	11.25
Employees on permanent contracts (%) (including 'at will' hiring)	Employees on permanent contracts (%) (including 'at will' hiring)
90.91%	89.49%
% Executives and middle management	% Executives and middle management
13.46%	16.10%
Turnover index	Turnover index
6.01%	6.49%
New hires	New hires
64.76%	35.24%
% Training	% Training
68.05%	63.92%
No. of people with disabilities	No. of people with disabilities
82	29

The Group's commitment to **employment** is illustrated in the following staff hiring turnover tables which break the figures down by gender and reason for departure:

Job creation (net)	325
Turnover index	6.14%

Category	Men	Women
New hires	634	345
Voluntary departures	200	173
Layoffs	143	52
Retirement	53	19
Permanent disability	8	7
Death	9	5

The commitment to employee **training and career development** materialized in the provision of staff training courses at a cost of 1.9 million euros in which approximately 67% of the workforce participated (over 129,829 training hours). The main subjects covered by these training initiatives were quality and environmental management, languages, computer skills, health and safety, production and maintenance, sales and marketing skills development and finance. The average number of training hours provided by job category is broken down in the next table:

Job category	Men	Women
Executives	1,129.14	504.50
Middle management	9,620.50	3,604.14
Clerical staff	8,541.32	7,235.64
Support staff	3,031.00	806.00
Sales staff	1,493.00	1,002.75
Other	74,479.50	18,381.00
Total	98,294.46	31,534.03

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Environmental disclosures

Regarding the Group's sustainability policies, one of the Ebro Foods Group's basic management commitments is to provide its companies with the tools and measures needed to strike the optimal balance between their business activities and environmental protection.

The productive processes used at the Group's various factories, in both the rice and the pasta divisions, are relatively simple agricultural food processes that do not have a major impact on the environment and entail minimum risk of accidental contamination. The most significant environmental aspects pertaining to the Group can be categorized as follows:

- Air emissions: essentially the emission of particles related to the manipulation of cereals (rice and wheat) and gases produced in the combustion processes used to produce vapor and dry raw materials. The fuel most widely used is natural gas.
- Greenhouse gas emissions (GHGs): the Group's GHG emissions derive from its energy consumption, use of fossil fuels and electricity usage.
- Productive processes: essentially mechanic and hydrothermal, these processes require the use of very few chemical products, and in very small amounts. Most of these products are used to clean equipment and sanitize raw materials and are relatively safe for the environment.
- Water consumption: the Group uses relatively little water in its manufacturing processes (most of its products are dry products), so that the volume of wastewater produced is also small. Moreover, the wastewater generated is relatively uncontaminated as the water consumed is used basically to produce vapor, as a refrigerant or as an ingredient in finished products.
- Waste generation and management: the Group generates minimum amounts of waste, including both non-hazardous (mainly ingredient and auxiliary material packaging) and hazardous (maintenance operations) waste.

Environmental performance

The figures presented below correspond to the performance in 2016 of the Group's most representative companies: Herba Ricemills Spain, Ebro North America and the Panzani Group. They were compiled in accordance with the Global Reporting Initiative (GRI) G4 Guidelines.

Raw materials used to make finished products:

Materials used	MT
<i>Rice</i>	1,084,490.57
<i>Wheat</i>	957,510.63
<i>Ingredients</i>	24,130.31

Energy consumption, total water consumption and energy intensity:

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Energy consumption	<i>Energy (GJ)</i>	3,098,183.99
	<i>Water (m³)</i>	2,659,501.72
Energy intensity		1.477

Direct GHG emissions and GHG emission intensity:

GHG emissions (MT)	197,626.06
GHG intensity	0.094

The Group did not emit ozone-depleting substances (ODS).

The particle emissions reported are the result of the handling of agricultural commodities at our facilities. These figures are provided as a guide only; not all of the Group's facilities are tracking this information. However, work is underway to compute the business's footprint comprehensively.

Compliance and information about environmental protection expenditures and investments

All of the Group's facilities operate under the certifications, specifications and permits pertinent to their respective geographic markets and they manage their environmental aspects accordingly.

In 2016, the Group's environmental protection investments amounted to 1.2 million euros, while related expenditures totaled 253 thousand euros.

For a more exhaustive explanation of all environment-related matters, the reader is referred to the Ebro Group's Annual Sustainability Report.

3. LIQUIDITY AND FINANCING

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

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

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

Investments | disposals

Acquisition-led growth (asset and business acquisitions)

The main investments made in 2016 were the acquisitions of CELNAT for 25.6 million euros, the purchase of 52% of Santa Rita Harinas for 5.8 million euros and the increase

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in the shareholding in Scotti, Spa. to 40% for 13.6 million euros. The acquisitions were financed using a mix of internally-generated funds and third-party credit lines.

On the other side of the equation, the Group sold its Puerto Rican business, generating a cash inflow of 12 million US dollars.

Organic growth

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

Year	Amount (thousands of euros)
2014	67,123
2015	81,466
2016	107,724

In recent years, investment in innovation has been concentrated strategically around the Fresh Pasta Plan and physically around the Lyon region, the aim of which is to increase the capacity to produce these products. In the rice business, capital expenditure has been mainly earmarked to the rice-based ingredients project, capacity additions in frozen products and investment in a gluten-free pasta line between 2014 and 2016 (22 million US dollars in total) at the Memphis factory in order to cater to growth in this segment.

Lastly, in 2016, the Group invested significantly (24 million euros) in expanding and enhancing its logistics structure.

In terms of cash inflows from asset sales, it is worth highlighting the sale of a property in Madrid for 21.4 million euros.

Financial position

The Group is very satisfied with its leverage position.

NET DEBT (€ 000)	CONSOLIDATED				
	2014	2015	2015/2014	2016	2016/2015
Equity	1,849,485	1,966,259	6.3%	2,079,326	5.8%
Net debt	405,617	426,280	5.1%	443,206	4.0%
Average net debt	333,178	424,940	27.5%	404,137	-4.9%
Leverage	21.9%	21.7%	-1.1%	21.3%	-1.7%
Leverage (average net debt) (1)	18.0%	21.6%	20.0%	19.4%	-10.1%
EBITDA	287,251	314,724	9.6%	344,141	9.3%
Coverage	1.41	1.35		1.29	

(1) Ratio of average net interest-bearing debt to equity (excluding non-controlling interests)

Despite a number of acquisitions and a significant capital expenditure effort, the Group's coverage and leverage ratios have improved, paving the way for continued investments and organic and M&A-led growth. Note that 80.5 million euros of borrowings relate to the recognition for accounting purposes of the call options over the outstanding interests in the Garofalo Group, Santa Rita Harinas and the Ingredients Group. For accounting purposes, these unexercised options have been recognized as an increase in Group borrowings. The changes in borrowings (without factoring in the debt assumed pursuant

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to acquisitions, those recognized in the process of accounting for the above call and put options and the impact of exchange rate movements) were shaped by the following sources and uses of cash:

€ , 000	CONSOLIDATED				
	2014	2015	2015/2014	2016	2016/2015
Cash from operating activities	211,275	254,140	20.3%	185,661	-26.9%
Cash used in investing activities	(60,193)	(146,847)	144.0%	(104,725)	-28.7%
Cash used in share-based transactions	(76,833)	(102,833)	33.8%	(86,181)	-16.2%
Free cash flow	74,249	4,460		(5,245)	

Cash flow from operations declined year-on-year due to a significant increase in the Group's working capital requirement (+€65 million year-on-year). Despite the growth in EBITDA derived from the income-statement impact of the widespread improvement in business momentum, certain long positions in the rice business (inventories built up mainly as a result of the change in supply strategy in India, compounded by a mismatch in the timing of rice contracts arranged in Europe year-over-year) had a significant impact on the current assets requiring financing. This factor, coupled with an increase in corporate income tax payments as a result of the above-mentioned earnings growth, is the main reason for the reduction in cash flow from operations.

The other major movements correspond to:

- Investments. Capital expenditure, as outlined above, and the purchase and/or sale of businesses in the various years (purchase of Garofalo and exit from Deoleo in 2014; the acquisitions of Rice Select and Roland Monterrat in 2015; and the acquisition of CELNAT offset by the sale of the Puerto Rican business and an investment property in 2016).
- Share-based transactions. Distribution of dividends (special dividend in 2015), including that paid to minority shareholders.

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

The Risk Control and Management Policy is a core component of the corporate policies approved by the Board of Directors. It establishes the basic principles and general framework governing control and management of the business risks, including tax-related risks and the framework for internal control over financial reporting, faced by the Company and its Group companies.

This general framework translates into a standardized enterprise risk control and management system which is inspired by the conceptual framework embodied in the Internal Control Integrated Framework of the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"); it is, accordingly, based on a business risk mapping process designed to identify, assess and score the Group's ability to manage the various risks, prioritizing them in terms of impact and probability of occurrence. The universe of risks is categorized into four main groups: compliance, operational, strategic and financial/reporting.

The risk categorization process assesses, dynamically, both inherent risks and residual

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risk after application of the internal controls and protocols put in place to mitigate them. Within these controls, it is worth highlighting the existence of preventative measures, the adequate segregation of duties, well-defined clearance limits and specific policies and procedures.

The enterprise risk model is qualitative and quantitative: the impact of the identified risks on the Group's results can be measured, to which end it is articulated around defined risk tolerance thresholds at the corporate level.

The main risks addressed in the model are:

Operational risks:

- Food safety. Given the nature of its business, food safety matters are a critical issue to which the Group pays the utmost attention; these issues are governed by a host of regulations and laws in the numerous countries in which its products are sold.

The Group's policy is underpinned by compliance with prevailing legislation, to which end it has defined, developed and implemented a quality, environmental and food safety model which has been certified in accordance with the UNE-EN-ISO 9001:2000/8 (Food Safety System Certification), UNE-EN-ISO 14001:2004 (Environmental Management) and ISO 22000:2005 systems.

The food safety programs are based on oversight of protocols designed to ensure identification of certain critical points (called Hazard Analysis and Critical Control Points or HACCP) in or order to minimize residual risk.

The main control points are grouped as follows:

- ✓ Physical points: controls to detect alien materials or the presence of metals.
- ✓ Chemical points: detection of chemical substances or the presence of allergens.
- ✓ Biological points: detection of the presence of salmonella and other pathogens.

Most food handling processes are certified by the International Featured Standards (IFS) food safety standard and the pasta factories in the US have certified compliance with the Global Food Safety Initiative (GFSI).

- Raw material supply risk. The availability of raw materials in sufficient quantities and of the quality needed to satisfy the Group's commitments to its customers and continue to underpin brand positioning is a key business success factor.

To mitigate this risk, the Group has opted to strategically diversify and lock in supply sources by means of agreements from season to season with some of the leading raw material suppliers (of rice and wheat durum); it has also opened branches in some of the main rice exporting nations (e.g. India and Thailand).

- Risk associated with commodity price volatility. Unexpected changes in raw material supply prices can have a material adverse impact on the profitability of the Group's business via its manufacturing operations and its brand retailing efforts. This risk is concentrated in the prices of the various varieties of rice and durum wheat, although the Group is also exposed to variability in the prices of packaging materials and oil derivatives.

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This risk is managed via:

- a) Early identification of potential supply problems or gluts in certain grains or varieties which could expose stocks to price variability. The buyer departments track the markets continually and issue alerts to the managers of the various businesses to enable them to manage the related risks.
 - b) The Group locks in volumes at fixed medium-term prices when the market is propitious to these kinds of agreements and sales transactions can be negotiated that will generate stable margins throughout the corresponding periods.
 - c) It also seeks disintermediation in the markets for local or exotic varieties, shortening the value chain.
 - d) Lastly, the Ebro Foods Group strategically differentiates its finished products and this helps it pass volatility in raw material costs efficiently through to the end consumer.
- Customer concentration risk. This risk factor affects the industrial and retail segments alike (although in the latter instance the end consumer of the products made by the Group are the individuals who eat its foods, the retailers are concentrating - boosting their purchase bargaining power - year after year). This risk factor can result in less favorable sales terms and conditions, heightened credit risk and even the loss of certain sales.

The Group's geographic diversification helps to mitigate this risk factor as its customers vary by country and for now the retailers' attempts at international expansion have met with limited success.

In parallel, each company has a sales risk committee which allocates risk tolerance thresholds and a strategy for enforcing these thresholds. These levels in turn reflect overall business strategy.

- The risk of falling behind on technology development. One of the Group's most important tools when it comes to tackling the competition is to differentiate and update its products, a strategy underpinned by constant technological innovation and an unwavering effort to adapt its range to consumer demands and wishes.

As described further on in this report, the Group's R&D strategy is a cornerstone of its business strategy. Its R&D departments work in close collaboration with the sales & marketing departments to mitigate this risk.

Risks related to the environment and strategy:

- Environmental and natural risks. The effects of droughts and floods in the rice- and wheat-growing countries from which the Group sources its raw materials can cause availability issues and price volatility. These natural risks can also affect consumers in conflict areas and could even affect the Group's assets in these markets.

Once again the key to mitigating these risks is to diversify raw material sourcing, as well as the markets the Group's products are targeted at. In addition, the Group has articulated a flexible manufacturing structure with facilities on four continents, minimizing the impact of potential local problems. The Group has current insurance policies covering all its factories and facilities which would mitigate the damages

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arising from any such incident.

- Competition risk. The Group does most of its business in developed and mature markets in which it competes with other multinational enterprises and a good number of local players. In addition, in these markets the retailers have developed their own private label brands which exert extra pressure on the Group's products.

This risk is managed by means of:

- a) Comprehensive analysis of competitor moves and the fine-tuning of pricing and promotional policy in response to the prevailing market situation.
 - b) Product differentiation by innovating on formats, range and quality, all with an unwavering customer focus.
 - c) Repositioning in potential high-growth categories by means of organic business development or acquisitions which meet the criteria stipulated in the corporate investment policy.
- Reputation risk. The risk associated with a potential shift in opinion crystallizing in a negative perception of the Group, its brands or its products by customers, shareholders, suppliers, market analysts or other stakeholders with an adverse effect on the Group's ability to maintain its customary relations (commercial, financial, labor, etc.) with these stakeholders.

To tackle this risk, the Group has established an internal code of conduct designed to guarantee ethical and responsible conduct throughout the organization by all its staff and the professionals or institutions it engages with in the course of its business activities.

The Group's brands, along with its people, are its most valuable intangible asset, and are accordingly subjected to constant assessment in which different marketing management, food health and safety, compliance and IP protection considerations converge.

- Shifting lifestyles. New diets such as low-carb diets and other food habits could change how consumers perceive our products.

The initiatives pursued to mitigate these risks entail assessment of consumer patterns, fine-tuning of the Group's product range in response to market trends, as well as active participation in forums propitious to disseminating the health virtues of its products.

- Country or market risk. The international nature of the Group's activities exposes its business operations to the political and economic circumstances prevailing in the various countries in which it does business, as well as other market variables, such as exchange rates, interest rates, production costs, etc. The fallout from Brexit falls under this category (go to note 28 and the outlook for the Group's business below).

Compliance risk

- Sector regulations. The food manufacturing industry is subject to multiple regulations, which affect export and import quotas and tariffs, intervention prices, etc., all framed by the European Common Agricultural Policy (CAP). In addition, the

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Group's activities could be affected by regulatory changes in the countries from which it sources its raw materials or to which it sells its products.

To address this risk, the Group is represented in, voices its views in and follows a number of legal and regulatory forums via a team of prestigious professionals who work to ensure enforcement and compliance.

- General regulations. This category encompasses compliance risk with respect to civil law, company law, criminal law and good governance regulations and recommendations. In terms of the risk of corporate crime, the Group has a crime prevention model which is monitored and controlled by the Compliance Department.
- Tax risk. Potential changes in tax legislation or its interpretation or application by the competent authorities across the Group's business marks could have an adverse effect on its performance.

Financial risk

In the course of its ordinary business operations, the Group is exposed to certain financial risks associated with its financial assets and liabilities, particularly its bank loans, overdrafts, equity instruments, cash and cash equivalents. In addition, the Group has other financial assets and liabilities such as trade accounts receivable and payable.

These financial instruments expose the Group to market risk as a result of movements in interest rates (instruments carrying floating rates), exchange rates (those denominated in currencies other than the euro), changes in their fair value, liquidity risk (the inability to monetize assets within reasonable timeframes or at reasonable amounts) and credit risk (counterparty risk).

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

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

5. EVENTS AFTER THE REPORTING PERIOD

In December 2016, the Group merged several US-resident companies with the aim of simplifying and streamlining its structure in that market (Ebro North America) and reducing costs, reasons deemed valid from an economic and tax perspective. That reorganization, which culminated in the merger of the Group's two main North American subsidiaries (Riviana Foods, Inc. and New World Pasta, Inc., the latter merging into the former) was structured as a tax-free reorganization in the US; the equivalent tax-neutral regime will be availed of in Spain over the course of 2017 (specifically the regime provided for in Chapter VII of Title VII of Spain's Corporate Income Tax Act (Law 27/2014)). The merger is effective for legal and financial purposes from January 1, 2017.

The Group acquired 100% of the shares of Vegetalia, S.L. and Corporacio Alimentaria Satoki, S.L. (together, "Vegetalia") on January 19, 2017. Vegetalia is devoted to the production and distribution of a broad range of organic products. It pioneered the manufacture of plant protein. Its product range includes fresh organic produce, dry organic foods, organic drinks and diet products. It generated revenue of 11.5 million in

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2016. The Group acquired this business for 15 million euros.

Vegetalia is based in Castellcir (Barcelona) and it has a workforce of over 80. It also grows organic vegetables on around 70 hectares which it then consumes to make its products.

There have been no other significant events or developments between the end of the reporting period and the date of authorizing the accompanying financial statements for issue.

6. GROUP OUTLOOK

The outlook for the main economies in which the Ebro Group does business is reasonably bright in terms of confidence, growth, employment and disposable income. These factors bode well for the Group's business performance. Elsewhere, the dollar exchange rate is currently at a level that benefits entities such as the Group which have a significant presence in the US.

The downside, however, stems from prevailing political uncertainty, most notably the fallout from Brexit and the potential impact on the Group's businesses in the UK and the specter of greater protectionism, particularly in the US. However, until these threats materialize it is impossible to assess their consequences or say whether they can be turned into an opportunity. The Group's management and risk units are watching related developments closely, taking action insofar as possible to mitigate their consequences in the short term and weighing up possible scenarios over the medium and long term.

As noted earlier in this report, the last two rice harvests have been very abundant so that the outlook is for growth in global supply in 2016/17 (new harvest plus end-of-season stocks) of close to 2%, implying a new record of 598 million tonnes of white rice equivalent. The likely consequence is extended price stability outside of certain local varieties.

No major developments are anticipated on the durum wheat front: stocks remain high and this commodity was trading at under €220/MT in early March 2017. It would seem that the problems associated with the quality of the last harvest haven't impacted prices, although end-of-season stock will foreseeably present poor quality due to low protein content levels. The quality of these end-of-season stocks and the expected decline in the planted area could prompt price tightening in the second half of the year; for now, however, prices are stable.

✓ **Rice business**

The outlook for consumer trends in 2017 point to growth in the highest value-added product categories such as the cup range (+28%), with the quinoa line expected to spearhead this growth. Other lines related to the health segment are also expected to fare well: ancient grains combined with healthy grains, organic and wholegrain rice. The other product lines are expected to prove stable year-on-year. These 'innovation' categories are increasingly spearheading profit and volume growth, displacing more traditional and less-differentiated products.

While the outlook for most varieties of rice is for stability in terms of availability and prices, the cost of basmati rice purchases has increased by around 25% since the

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last harvest due to a smaller planted area. The prospect of this development prompted the Group to build up long positions at its Indian subsidiary, a strategy which should bear fruit in 2017.

In general, the idea in the US is to defend margins by letting certain low-margin SKUs go to the private labels due to the pressure being exerted by low prices on major cooperatives saddled with high stocks. Market growth should enable volume fine-tuning without reducing utilization. The improvement in the Texmati harvest should drive profit gains for Rice Select.

A wide range of new products is in the pipeline, including additions to the ready-to-serve cup line including three varieties of organic rice and three new kinds of quinoa. A new range of instant rice products with new flavors is expected to go on sale in May 2017.

✓ **Pasta business**

The European pasta and sauce markets continue to register modest growth (we are expecting higher growth in fresh, cereal and pulse products, with the dry pasta market trending sideways). However, organic products are registering double-digit growth. Although still small, the Group is committing strongly to this segment. As already noted, in January 2017, the Group acquired Vegetalia, reinforcing the moves made in 2016 with the acquisition of CELNAT and the creation of the Alimentation Santé division. Another step in this direction was the launch in France of a new trademark under which this product range will be distributed: Happy Meal.

In parallel, the Group is executing an ambitious international expansion plan: the idea is to expand the presence of the fresh product range in countries in which it already commands a leadership position in the dry pasta segment such as the Czech Republic and Slovakia, gain a foothold in Southeast Asia and consolidate the pasta business's presence in northern Africa and other French-speaking African markets.

We expect the market to remain stagnant in the US: with durum wheat prices at historically low levels, private label prices may be cut further. In this market the strategy is to expand the range of products with more promising growth prospects within the organic, gluten-free, ancient grain and super-greens ranges.

Lastly, we are optimistic that Oliveri will begin to take off, underpinned by two drivers: (i) quality (launching a new range of fresh pasta made using traditional artisan techniques; a great effort has been put into enticing consumers and drawing them to the range with an attractive design and unique flavor and texture); and (ii) convenient formats leveraging the new gnocchi and pan-fry gnocchi ranges which have been one of the Group's most successful launches in other markets. In tandem, a targeted marketing plan is in the pipeline for rollout during the second quarter of this year.

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7. R&D+i ACTIVITY

The Ebro Foods Group has always been a front-runner in terms of new consumer trends and an international benchmark in the research and development of products applied to the food sector. Aware that R&D+i is essential to the Group's quality and differentiation strategy, it remained unwaveringly committed to innovation in 2016.

In total, R&D+i expenditure totaled 4 million euros in 2016 (2.9 million euros of which funded internally and 1.1 million euros, externally).

Capitalized development costs amounted to 6.1 million euros, most of which corresponded to gluten-free products (2.2 million euros, bringing total investment to 21.6 million euros), with the rest earmarked to new manufacturing processes and/or product treatments.

The Group has articulated its R&D+i engine around research centers located in France, the US and Spain. These centers and their main projects in 2016 were:

1. CEREC, located in St. Genis Laval (France), with 10 employees, focuses on the fresh pasta, potato, ready-cooked fresh meals and sauce segments of the pasta business. In 2016, this center focused on expanding the range of sauces with a gourmet touch, sauces designed to facilitate the quick preparation of tasty meals and new sauces that present the features of fresh sauces along with a longer shelf life (without the need for refrigeration). It also worked on the launch of a new line of top chef stuffed fresh pasta and collaborated on the presentation of a new range of pizzas.
2. CRECERPAL, located in Marseilles with eight professionals at the raw material analytical laboratory plus an assistant PhD, centers its research effort on developments in the durum wheat category: dry pasta, couscous and new food transformation technology applied to the food industry. In 2016, it continued to work on new uses for durum wheat flour for batters, breads and baked goods; laying the foundations for a new range of pasta products made from other cereals (ancient grains) and organic pasta products made without using pesticides; expansion of the range of dry pastas with fresh pasta qualities; and new fast-cook rice products.
3. The US center, with five employees who work to develop new products, processes and technologies and adapt them for the US rice and pasta divisions. Their work focused on rounding out the development and launch of the super-greens range in which a portion of vegetables and fiber has been added to three pasta varieties. This center also worked on the development of products containing different root vegetables, pasta with protein supplements, pasta sourced organically and several productivity upgrades for the Memphis factory.
4. Centers associated with the Herba Group in Moncada (Valencia) and the San Juan de Aznalfarache plant, with 16 employees devoted to the development of new and/or improved product and technologies and to the provision of technical assistance with rice technology for the fast food and catering distribution channels. The most important project underway at this center is the research and development of new product formulae containing pulses, cereals, ancient grains and seeds and the development of new gluten-free dishes.

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8. OWN SHARE TRANSACTIONS

In 2016, the Company had the power to buy back and sell own shares under the scope of the authorization granted at the Annual General Meetings held on June 15, 2011 and June 3, 2015 for a period of five years (as duly notified to the CNMV in keeping with prevailing legislation). In 2016, the Company bought back 28,553 shares, sold 2,106 and delivered 26,447 own shares to employees. The Company did not hold any own shares as treasury stock at December 31, 2016.

9. OTHER RELEVANT DISCLOSURES

Average payment period

As required under the Spanish Corporate Enterprises Act, it is hereby noted that the average payment period of the companies domiciled in Spain was 28 days in 2016 and 25 days in 2015, within the deadlines stipulated in supplier payment legislation. Calculations made in accordance with the ICAC (Spanish Accounting and Audit Institute) Resolution.

	2016	2015
	Days	Days
Average supplier payment term	28.2	24.6
Paid transactions ratio	28.2	24.8
Outstanding transactions ratio	21.6	20.5
	Amount (thousands of euros)	Amount (thousands of euros)
Total amount of payments made	301,716	266,064
Total payments outstanding	5,717	43,452

Share price performance



The Company's shares outperformed the benchmark Spanish blue-chip index (the IBEX) and other comparable peers in the food sector in 2016.

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Dividend distribution

On June 1, 2016, it was resolved to pay a cash dividend against unrestricted reserves and 2015 profits of 0.54 euros per share over the course of 2016. This dividend was paid in three instalments on April 1, June 29 and October 3, 2016.

Alternative performance measures

In keeping with the guidelines provided by the European Securities and Markets Authority (ESMA), there follows a description of the main alternative performance measures used in this report.

These measures are used frequently and consistently by the Group to explain its business performance and their definitions have not changed.

EBITDA. Earnings before interest, tax, depreciation and amortization and before earnings considered extraordinary or non-recurring (essentially gains or losses deriving from transactions involving the Group's fixed assets, industrial restructuring charges, provisions for or settlements from lawsuits, etc.).

The reconciliation of EBITDA and operating profit is provided below:

	<u>31/12/2016</u>	<u>31/12/2015</u>	<u>31/12/2014</u>
EBITDA	<u>344,141</u>	<u>314,724</u>	<u>287,251</u>
Depreciation and amortization	(76,833)	(68,410)	(60,009)
Non-recurring income	25,598	8,110	13,759
Non-recurring expenses	(28,298)	(12,047)	(23,624)
OPERATING PROFIT	<u>264,608</u>	<u>242,377</u>	<u>217,377</u>

Net debt. Interest-bearing financial liabilities, financial derivatives at fair value, the amount of shareholdings subject to put/call options qualifying as financial liabilities and dividends accrued and pending payment, if any, less cash and cash equivalents.

Capital expenditure. Payments for investments in productive fixed assets. Go to the cash flow statement.

ROCE. A measure of the return on assets calculated as average earnings before interest, tax and non-recurring earnings for a given period divided by average capital employed during that same period.

Capital employed. The sum of intangible assets, property, plant and equipment and working capital (understood as current assets less current liabilities, excluding those of a financial nature).

Leverage. A measure of creditworthiness calculated as the ratio of net debt to equity.

Debt coverage ratio. A measure of the Group's ability to service its net debt from earnings measured as the ratio of net debt to EBITDA.

ANNEX 1

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

DETAILS OF ISSUER

YEAR ENDED	31/12/2016
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TAX REGISTRATION NUMBER	A47412333
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NAME
EBRO FOODS, S.A.

REGISTERED OFFICE
PASEO DE LA CASTELLANA 20, PLANTAS 3ª Y 4ª, MADRID

ANNUAL CORPORATE GOVERNANCE REPORT LISTED COMPANIES

A OWNERSHIP STRUCTURE

A.1 Complete the following table on the capital of the company:

Date latest modification	Capital (€)	Number of shares	Number of voting rights
11/06/2002	92,319,235.20	153,865,392	153,865,392

Indicate whether there are different classes of shares with different associated rights:

YES NO

A.2 Give details on the direct and indirect holders of significant interests in your company at year-end, excluding directors:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights	Interest / total voting rights (%)
JUAN LUIS GÓMEZ-TRENOR FOS	0	11,808,970	7.67%
CORPORACIÓN FINANCIERA ALBA, S.A.	0	15,400,000	10.01%
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES	0	15,940,377	10.36%
SOCIEDAD ANÓNIMA DAMM	0	17,613,610	11.45%

Name of indirect holder of the interest	Through: Name of direct holder of the interest	Number of voting rights
JUAN LUIS GÓMEZ-TRENOR FOS	EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.U.	11,808,970
CORPORACIÓN FINANCIERA ALBA, S.A.	ALBA PARTICIPACIONES, S.A.	15,400,000
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES	ALIMENTOS Y ACEITES, S.A.	15,940,377
SOCIEDAD ANÓNIMA DAMM	CORPORACIÓN ECONÓMICA DELTA, S.A.	17,613,610

Indicate the principal movements in the shareholding structure during the year:

Name of shareholder	Date of transaction	Description of transaction
HISPAFOODS INVEST, S.L.	22/12/2016	Reduction of interest by 3% of the capital
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	28/12/2016	Reduction of interest by 3% of the capital
GRUPO TRADIFÍN, S.L.	28/12/2016	Interest raised to above 5% of the capital
HERCALIANZ INVESTING GROUP, S.L.	28/12/2016	Interest raised to above 5% of the capital

A.3 Complete the following tables on directors with voting rights in the company:

Name of director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights held
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Name of director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights held
ANTONIO HERNÁNDEZ CALLEJAS	30	68,006	0.04%
FERNANDO CASTELLÓ CLEMENTE	2,307,828	0	1.50%
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	3,030	4,500,000	2.93%
ALIMENTOS Y ACEITES, S.A.	15,940,377	0	10.36%
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.U.	11,808,970	0	7.67%
JOSÉ NIETO DE LA CIERVA	8,969	2,044	0.01%
JOSÉ ANTONIO SEGURADO GARCÍA	5,000	2,000	0.00%
GRUPO TRADIFÍN, S.L.	12,248,809	0	7.96%
HERCALIANZ INVESTING GROUP, S.L.	12,248,809	0	7.96%

Name of indirect holder of the interest	Through: Name of direct holder of the interest	Number of direct voting rights
ANTONIO HERNÁNDEZ CALLEJAS	ANTONIO HERNÁNDEZ GONZÁLEZ	30,873
ANTONIO HERNÁNDEZ CALLEJAS	LUIS HERNÁNDEZ GONZÁLEZ	37,133
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	LA FUENTE SALADA, S.L.	4,500,000
JOSÉ NIETO DE LA CIERVA	Mª MACARENA AGUIRRE GALATAS	2,044
JOSÉ ANTONIO SEGURADO GARCÍA	SEGURADO Y GALOBART, S.L.	2,000

Total % of voting rights held by board members	38.44%
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Complete the following tables on directors with stock options in the company:

- A.4 Indicate family, commercial, contractual or corporate relationships among significant shareholders known to the company, if any, except any that are insignificant and those deriving from ordinary commercial business:

Name of related parties
SOCIEDAD ANÓNIMA DAMM
CORPORACIÓN ECONÓMICA DELTA, S.A.

Type of relationship: Corporate

Brief description:

Sociedad Anónima Damm holds a direct interest of 99.93% in Corporación Económica Delta, S.A.

Name of related parties
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES
ALIMENTOS Y ACEITES, S.A.

Type of relationship: Corporate

Brief description:

Sociedad Estatal de Participaciones Industriales holds a direct interest of 91.9625% in Alimentos y Aceites, S.A.

Name of related parties
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.U.
JUAN LUIS GÓMEZ-TRENOR FOS

Type of relationship: Corporate

Brief description:

At 31 December 2016, Juan Luis Gómez-Trenor Fos held 100% of the capital of Empresas Comerciales e Industriales Valencianas, S.A. and was its sole director.

- A.5 Describe the commercial, contractual or corporate relationships between significant shareholders and the company and/or its group, if any, except any that are insignificant and those deriving from ordinary commercial business:

Name of related parties
SOCIEDAD ANÓNIMA DAMM
HERBA RICEMILLS, S.L.U.

Type of relationship: Commercial

Brief description:

During 2016, Herba Ricemills, S.L.U., a subsidiary of the Ebro Foods Group, sold rice and rice by-products to two subsidiaries of the controlling shareholder Sociedad Anónima Damm on arm's length terms, as indicated in section D.2 of this report.

- A.6 State whether the company has been notified of any shareholders' agreements that may affect it pursuant to sections 530 and 531 of the Corporate Enterprises Act. If any, describe them briefly and list the shareholders bound by the agreement:

YES NO

Indicate and describe any concerted actions among company shareholders of which the company is aware:

YES NO

Expressly indicate any change or break-up of those agreements or concerted actions, if any, that has taken place during the year.

- A.7 Indicate any individuals or entities that exercise or may exercise control over the company in pursuance of section 4 of the Securities Market Act and identify it/them if appropriate:

YES NO

Comments

- A.8 Complete the following tables on the company's treasury stock:

At year-end:

Number of direct shares	Number of indirect shares (*)	Treasury stock/capital (%)
0	0	0.00%

(*) Through:

Describe any significant variations during the year, according to the provisions of Royal Decree 1362/2007:

Explain the significant variations

A.9. Indicate the term and conditions of the authorisation granted by the General Meeting to the Board to buy or sell own shares

The Annual General Meeting of Shareholders held on second call on 3 June 2015 resolved, under item twelve on the agenda, to authorise the Board of Directors to buy back own shares and reduce the company's capital and to authorise subsidiaries to acquire shares in the parent company, by purchase or on any other payment basis, subject to the limits and other requisites stipulated in law.

a. Conditions of the authorisation

To authorise the board of directors, with the power to delegate, to buy back shares in Ebro Foods, S.A., directly or through its subsidiaries, by purchase, swap or under any other title and on one or several occasions, on the terms and conditions established in sections 146 et seq and sections 509 et seq of the Corporate Enterprises Act, and the following conditions::

- The par value of the shares purchased directly or indirectly, together with those already held by the company or its subsidiaries, shall not exceed 10% of the subscribed capital.
- The buy-back, when added to the shares previously acquired by the company or any person acting in his own name but on behalf of the company and held in portfolio, shall not have the effect of reducing equity to below the amount of the capital plus the legal or restricted statutory reserves. For this purpose, equity shall be the amount considered such according to the principles for drawing up the annual accounts, less the amount of gains attributed directly thereto, plus the amount of uncalled subscribed capital and the par value and share premium of the subscribed capital recognised in liabilities.
- The shares thus acquired shall be fully paid up.
- The cap and floor values for buy-back shall be the market value of the shares on an official secondary market at the date of buy-back and a value equivalent to the par value of the own equity instruments acquired, respectively.

b. Contents of the authorisation

- To authorise the Board, by direct resolution or delegation to the Executive Committee, or by delegation to such person or persons as the Board may authorise for this purpose, to buy back own shares to hold them in its treasury stock, dispose of them or, as the case may be, put a motion at the General Meeting for their redemption, within the legal limits and complying with the conditions established in this resolution.

This authorisation is also extended to the possibility of buying back own shares for delivery, on one or several occasions, to the company or group employees, directly or following exercise of their option rights, pursuant to section 146.1(a), third paragraph, of the Corporate Enterprises Act..

It is also extended to acquisitions of shares in Ebro Foods, S.A. by its subsidiaries.

- To authorise the Board to reduce the capital in order to redeem the own equity instruments purchased by the company or other companies in its group against the capital (for their par value) and unrestricted reserves (for the cost of the acquisition in excess of that par value), by such amounts as it may deem fit from time to time and up to the maximum own shares held at any time.
- To delegate to the board to implement the aforesaid resolution to reduce the capital, which it may do on one or several occasions or declare it null and void, within a period not exceeding 5 years from the date of this General Meeting (3 June 2015), taking such actions for this purpose as may be necessary or required by law.

The Board is especially authorised so that it may, within the times and limits indicated in this resolution, proceed to: (i) make or declare void the reduction of capital, naming if appropriate the specific date(s) of the transactions, taking account of any internal or external factors that may influence this decision; (ii) specify in each case the amount by which the capital is reduced; (iii) determine the destination of the amount of the reduction of capital; (iv) in each case adjust Articles 6 (“Capital”) and 7 (“Shares”) of the Articles of Association to reflect each new amount of capital and new number of shares; (v) apply in each case for delisting of the redeemed shares; and (vi) in general adopt such resolutions as may be considered necessary for redemption and the consequent reduction of capital, designating who is to put it on record.

c. Term of the authorisation

The authorisation contemplated in this resolution is granted for a maximum of five years from the date of the General Meeting (3 June 2015) and covers all transactions in own equity instrument made hereunder, without requiring reiteration for each acquisition made. It also covers any provisions or earmarking of reserves made in accordance with the Corporate Enterprise Act.

The resolutions adopted at the Annual General Meeting of 3 June 2015 regarding treasury stock, reduction of capital and delegation to the Board rendered void in the unused amount those adopted in this regard at the Annual General Meeting held on 15 June 2011. They remain in force, not having been since revoked.

A.9.bis. Estimated free float:

	%
Estimated free float	40.10

A.10 Indicate any constraints on the transferability of shares and/or any restrictions on voting rights. In particular, indicate the existence of any constraint or limitation that may hamper takeover of the company through the acquisition of its shares on the market.

YES NO

A.11 Indicate whether the General Meeting has resolved to apply the breakthrough rule against a takeover bid, under Act 6/2007:

YES NO

If so, explain the measures approved and the terms on which the restrictions will become ineffective:

A.12 State whether the company has issued any shares that are not traded on an EU regulated market.

YES NO

If appropriate, indicate the different classes of shares and the rights and obligations conferred for each class.

B. GENERAL MEETING

B.1 Indicate whether there are any differences between the quorums established for General Meetings and the minimums stipulated in the Corporate Enterprises Act and, if any, explain.

YES NO

B.2 Indicate whether there are any differences in respect of the system stipulated in the Corporate Enterprises Act for adopting corporate resolutions and, if any, explain.

YES NO

What differences exist in respect of the system stipulated in the Corporate Enterprises Act?

B.3 Indicate the rules for alteration of the company's articles of association. In particular, indicate the majorities stipulated for altering the articles of association and the rules, if any, protecting shareholders' rights in any alteration of the articles.

There are no requirements for altering the articles of association other than those stipulated in the Corporate Enterprises Act.

B.4 Give details of attendance of general meetings held during the year of this report and the previous year:

Date General Meeting	Details of Attendance				Total
	% in person	% by proxy	% distance voting		
			Electronic vote	Others	
03/06/2015	28.25%	46.12%	0.00%	0.00%	74.37%
01/06/2016	19.94%	55.85%	0.00%	0.00%	75.79%

B.5 Are any restrictions are established in the articles of association requiring a minimum number of shares to attend general meetings?

YES NO

B.6 Repealed.

B.7 Indicate the address and access to the company's website and where to find information on corporate governance and other information on general meetings that must be made available to shareholders through the company's website.

The corporate website of Ebro Foods (<http://www.ebrofoods.es/>) is set up as a vehicle of information, continuously and permanently updated for shareholders, investors and markets in general.

In this respect, the home page includes a specific section called "Information for shareholders and investors", which contains all the information required under the applicable legal provisions.

Pursuant to current legislation, this section includes the chapter on Corporate Governance at the following address: <http://www.ebrofoods.es/information-for-shareholders-and-investors/corporate-governance/regulations-of-the-general-meeting/>

That section includes all the information that the company makes available to shareholders for general meetings, specifically at <http://www.ebrofoods.es/en/information-for-shareholders-and-investors/corporate-governance/general-meeting-of-shareholders-exercise-of-the-right-to-information/> and <http://www.ebrofoods.es/en/information-for-shareholders-and-investors/corporate-governance/general-shareholders-meeting-2016/>). There is also a direct link to the General Meeting of this year from the home page (<http://www.ebrofoods.es/>).

The Corporate Governance chapter is structured in the following sub-sections:

- Regulations of the General Meeting
- General Meeting of Shareholders: exercise of the right to information
- General Shareholders' Meeting 2017
- Board of Directors
- Regulations of the Board
- Annual Corporate Governance Report
- Remuneration of Directors
- Board Committees
- Internal Code of Market Conduct
- Shareholders' Forum

The contents of this chapter are structured and hierarchical, with a concise, explanatory title, to permit rapid, direct access to each section, in accordance with legal recommendations, at less than three clicks from the home page.

All these sections have been designed and prepared according to the principle of easy access, aiming to enable fast location and download of the required information.

The corporate website offers all the information in this section in Spanish and English, and the information considered most important is also provided in French, Catalan, Euskera and Galician.

C. MANAGEMENT STRUCTURE OF THE COMPANY

C.1 Board of Directors

C.1.1 State the maximum and minimum numbers of directors stipulated in the articles of association:

Maximum number of directors	15
Minimum number of directors	7

C.1.2 Give details of the board members:

Name of director	Representative	Category of director	Position on Board	Date first appointment	Date latest appointment	Election procedure
JOSÉ ANTONIO SEGURADO GARCÍA		Independent	LEAD INDEPENDENT DIRECTOR	29/05/2012	04/06/2014	RESOLUTION PASSED AT AGM
DEMETRIO CARCELLER ARCE		Proprietary	VICE-CHAIRMAN	01/06/2010	04/06/2014	RESOLUTION PASSED AT AGM
EUGENIO RUIZ-GÁLVEZ PRIEGO		Other Non-Executive	DIRECTOR	25/07/2000	04/06/2014	RESOLUTION PASSED AT AGM
ANTONIO HERNÁNDEZ CALLEJAS		Executive	CHAIRMAN	24/01/2002	04/06/2014	RESOLUTION PASSED AT AGM
FERNANDO CASTELLÓ CLEMENTE		Independent	DIRECTOR	29/05/2012	04/06/2014	RESOLUTION PASSED AT AGM
JOSÉ NIETO DE LA CIERVA		Proprietary	DIRECTOR	29/09/2010	04/06/2014	RESOLUTION PASSED AT AGM
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL		Independent	DIRECTOR	29/05/2012	04/06/2014	RESOLUTION PASSED AT AGM
RUDOLF-AUGUST OETKER		Proprietary	DIRECTOR	01/06/2010	04/06/2014	RESOLUTION PASSED AT AGM
ALIMENTOS Y ACEITES, S.A.	CONCEPCIÓN ORDÍZ FUERTES	Proprietary	DIRECTOR	23/07/2004	04/06/2014	RESOLUTION PASSED AT AGM
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.U.	JUAN LUIS GÓMEZ-TRENOR FOS	Proprietary	DIRECTOR	18/12/2013	04/06/2014	RESOLUTION PASSED AT AGM
MERCEDES COSTA GARCÍA		Independent	DIRECTOR	27/07/2016	27/07/2016	COOPTATION
GRUPO TRADIFÍN, S.L.	MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	Proprietary	DIRECTOR	21/12/2016	21/12/2016	COOPTATION
HERCALIANZ INVESTING GROUP, S.A.	FÉLIX HERNÁNDEZ CALLEJAS	Executive	DIRECTOR	21/12/2016	21/12/2016	COOPTATION

Total Number of Directors	13
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Indicate any retirements from the board during the reporting period:

Name of director	Category of director at retirement	Date of retirement
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HISPAFOODS INVEST, S.L.	Proprietary	21/12/2016
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	Executive	21/12/2016

C.1.3 Complete the following tables on the types of board members:

EXECUTIVE DIRECTORS

Name of Director	Position in company's organisation
ANTONIO HERNÁNDEZ CALLEJAS	CHAIRMAN
HERCALIANZ INVESTING GROUP, S.A.	ITS REPRESENTATIVE IS ON THE BOARD OF SEVERAL SUBSIDIARIES OF THE EBRO GROUP

Total number of executive directors	2
% of board	15.38%

NON-EXECUTIVE PROPRIETARY DIRECTORS

Name of Director	Name of significant shareholder represented or that proposed appointment
DEMETRIO CARCELLER ARCE	SOCIEDAD ANÓNIMA DAMM
JOSÉ NIETO DE LA CIERVA	CORPORACIÓN FINANCIERA ALBA, S.A.
RUDOLF-AUGUST OETKER	SOCIEDAD ANÓNIMA DAMM
ALIMENTOS Y ACEITES, S.A.	SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.U.	JUAN LUIS GÓMEZ-TRENOR FOS
GRUPO TRADIFÍN, S.L.	GRUPO TRADIFÍN, S.L.

Total number of proprietary directors	6
% of board	48.15%

NON-EXECUTIVE INDEPENDENT DIRECTORS

Name of Director

JOSÉ ANTONIO SEGURADO GARCÍA

Profile

Born in Barcelona. Graduate in Law and Economics. Insurance broker and entrepreneur. Chairman of SEFISA, AEF and AEIM. Joint founder of CEIM and CEOE. President of the Liberal Party and MP in the National Government in the III and IV Parliamentary Terms. Member of the Trilateral Commission. Director of Unión y Fénix, Acerinox, J.W.Thompson and Vusa. Currently Chairman of Segurado & Galobart, S.L. and of the Advisory Council of Alkora EBS, Correduría de Seguros, S.A., Honorary Chairman & Founder of CEIM, member of the Management Board of CEOE and the Advisory Board of Coviran, S.C.A. Grand Cross of the Order of 2 May awarded by the Community of Madrid.

José Antonio Segurado García passed away in February 2017.

Name of Director

FERNANDO CASTELLÓ CLEMENTE

Profile

Born in Mollerusa (Lleida). Industrial Engineer and MBA (IESE). Lecturer at the School of Engineers and Architects of Fribourg (Switzerland). Has held several important executive and management positions in companies operating in the dairy sector and has extensive experience in the sector. Currently Vice-Chairman of Merchpensión, S.A. and on the board of other consultancy and financial services companies.

Name of Director

JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL

Profile

Born in San Sebastián. Economist and graduate in International Banking. Extensive experience in the financial sector, director and executive positions in several financial institutions and insurance companies, such as Banco Hispano Americano, Mutua Madrileña and Axa Winterthur, among others. Chairman of Rexam Ibérica and Arbitraje Inversiones S.L.

Name of Director

MERCEDES COSTA GARCÍA

Profile

Born in Lérida. Law graduate from Central University of Barcelona and MAJ (IE Business School). Extensive professional experience as commercial lawyer, lecturer and researcher in the field of the entire negotiation process. Currently Manager of the Negotiation and Mediation Centre and lecturer in negotiation in master programmes, advanced courses and executive education programmes at the IE Business School of Madrid, in on-site and on-line courses. Also Director of the Negotiation Forum (*Foro Negocia*) and Member of the Good Governance Committee of the IE Business School.

Total number of independent directors	4
% of board	30.77%

State whether any director qualified as independent receives from the company or any other company in the same group any sum or gain other than directors' emoluments, or has or has had a business relationship with the company or any other company in its group during the past year, in his/her own name or as controlling shareholder, director or senior executive of a company which has or has had such a relationship.

None of the independent directors is in any of these circumstances.

If appropriate, include a reasoned statement by the board explaining why it considers that the director in question can perform his/her duties as an independent director.

OTHER NON-EXECUTIVE DIRECTORS

Name any other non-executive directors and explain why they cannot be considered proprietary or independent directors and their relationships, with the company or its executives or with the shareholders:

Name of Director

EUGENIO RUIZ-GÁLVEZ PRIEGO

Company, executive or shareholder with which he has a relationship:
EBRO FOODS, S.A.

Reasons:

During his time in office, Eugenio Ruiz-Gálvez Priego was not a proprietary director because he did not hold a significant interest in the company or represent a significant shareholder. He could not be considered an independent director because he had been a director of Ebro Foods, S.A. for more than 12 years in succession.

Total number of other non-executive directors	1
% of board	7.69%

Indicate any variations during the year in the type of each director:

- C.1.4 Complete the following table with details of the number of female directors over the past 4 years and the type of female directors:

	Number of female directors				Female directors / total directors of each type (%)			
	2016	2015	2014	2013	2016	2015	2014	2013
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	2	2	2	2	33.33%	28.57%	28.57%	28.57%
Independent	1	0	0	1	25.00%	0.00%	0.00%	25.00%
Other non-executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total	3	2	2	3	23.08%	16.67%	16.67%	23.08%

- C.1.5 Explain any measures taken to endeavour to include in the board a number of women to give a balanced composition of men and women directors.

Explanation of measures

Throughout 2016 and up to the date of this report, the presence of women on the board was increased with the appointment of two new female directors: Mercedes Costa García appointed on 27 July 2016 and Belén Barreiro Pérez-Pardo appointed on 25 January 2017.

At the date of this report, there are four women on the board, out of a total thirteen members, so women represent 30.76% of the board members.

The company has reached the representation target specified in the Policy for Selecting Candidates, that by 2020 the gender least represented on the Board should account for at least thirty per cent of all the Board members.

- C.1.6 Explain any measures agreed by the nomination committee to ensure that the selection procedures are not implicitly biased against the selection of female directors and that a conscious effort is made to include women with the target profile among the candidates:

Explanation of measures

No specific measures of this nature have been adopted, the principal criterion applied when selecting candidates to the board being that the selection process should avoid any kind of implicit bias that could involve discrimination on any grounds against any of the candidates.

This notwithstanding, the Policy for Selecting Candidates to be Directors approved by the Board of Directors upholds the following principles: (i) a diversity of expertise, experience and gender on the Board shall be sought; and (ii) in equal conditions, the candidate whose gender is least represented on the board at that time shall be chosen.

In addition, the aforesaid Policy for Selecting Candidates to be Directors expressly contemplates the target that by 2020 the gender least represented on the Board shall account for at least thirty per cent of all the Board members.

At the date of this report, the company has reached that target, since the women on the board currently account for 30.75% of the thirteen board members.

See section C.1.5 and Explanatory Note One in section H of this Report.

If, despite the measures taken, if any, there are few or no female directors, explain the reasons that justify this situation:

Explanation of reasons

N/A

- C.1.6 bis Explain the conclusions of the nomination committee on checking compliance with the policy for selecting directors and, in particular, on how that policy is promoting the target that by the year 2020 the number of female directors should represent at least 30% of all the board members.

Explanation of conclusions

The Nomination and Remuneration Committee considers that the appointments of new directors agreed in 2016 and 2017 conform to the principles established in the Policy for Selecting Directors.

In particular, the Nomination and Remuneration Committee considers that the appointment of two women as independent directors, in addition to enhancing the diversity of expertise and experience on the board, (i) favours gender diversity within the target set for women (as the gender least represented on the board) to represent thirty per cent of the total board members by 2020 and (ii) raises the number of independent directors, in keeping with the good governance recommendations.

C.1.7 Explain the form of representation on the board of shareholders with significant interests.

- Alimentos y Aceites, S.A. is a director and significant shareholder of the company. See section A.4 regarding its relationship with Sociedad Estatal de Participaciones Industriales.

- The directors Demetrio Carceller Arce and Dr Rudolf-August Oetker were nominated by the significant shareholder Corporación Económica Delta, S.A. (formerly called Corporación Económica Damm, S.A.). See section A.4 regarding the corporate relationship between Corporación Económica Damm, S.A. and Sociedad Anónima Damm.

- The director José Nieto de la Cierva was nominated by the significant shareholder Alba Participaciones, S.A. See section A.4 regarding the corporate relationship between Alba Participaciones, S.A. and Corporación Financiera Alba, S.A. See also Explanatory Note One in section H of this report.

- Empresas Comerciales e Industriales Valencianas, S.L.U. is a director and significant shareholder of the company. See section A.4 and Explanatory Note One in section H of this report.

- Grupo Tradifin, S.L. and Heralianz Investing Group, S.L. were nominated directors by the then significant shareholder Instituto Hispánico del Arroz, S.A. When Instituto Hispánico del Arroz, S.A. lost that status, Grupo Tradifin, S.L. and Heralianz Investing Group, S.L. remained directors by virtue of their status of significant shareholders of the company. They each have a 7.961% interest in Ebro Foods, S.A. See Explanatory Note One in section H of this report.

C.1.8 Explain, if appropriate, why proprietary directors have been appointed at the request of shareholders holding less than 3% of the capital:

State whether any formal requests for presence on the board have been rejected from shareholders holding interests equal to or greater than others at whose request proprietary directors have been appointed. If appropriate, explain why such requests were not met:

YES NO

C.1.9 State whether any director has retired before the end of his/her term of office, whether said director explained the reasons for such decision to the Board and through what means, and if the explanations were sent in writing to the entire Board, explain below at least the reasons given by the director:

Name of director:

HISPAFOODS INVEST, S.L.

Reason for retirement:

Hispafoods Invest, S.L. tendered its resignation on 21 December 2016 in a letter addressed to all the directors, owing to the corporate restructuring made in its Group.

See Explanatory Note One in section H of this report.

Name of director:

INSTITUTO HISPÁNICO DEL ARROZ, S.A.

Reason for retirement:

Instituto Hispánico del Arroz, S.A. tendered its resignation on 21 December 2016 in a letter addressed

to all the directors, owing to the corporate restructuring made in its Group.

That restructuring entailed the transfer, as of 28 December 2016, of all its shares in Ebro Foods, S.A. (15.92%) to Grupo Tradifin, S.L. (7.961%) and Heralianz, Investing Group, S.L. (7.961%).

See Explanatory Note One in section H of this report.

C.1.10 Indicate the powers delegated to the Managing Director(s), if any:

C.1.11 Name Board members, if any, who are also directors or executives of other companies in the same group as the listed company:

Name of director	Name of Group company	Position	Has executive duties?
ANTONIO HERNÁNDEZ CALLEJAS	VOGAN, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	JOSEPH HEAP PROPERTY, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	JOSEPH HEAP&SONS, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	A W MELLISH, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	ANGLO AUSTRALIAN RICE LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	SOS CUETARA USA, INC	CHAIRMAN	YES
ANTONIO HERNÁNDEZ CALLEJAS	NEW WORLD PASTA COMPANY	CHAIRMAN	YES
ANTONIO HERNÁNDEZ CALLEJAS	EBRO AMERICA, INC.	CHAIRMAN	YES
ANTONIO HERNÁNDEZ CALLEJAS	HEAP COMET, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	RIVIANA FOODS, INC.	CHAIRMAN	YES
ANTONIO HERNÁNDEZ CALLEJAS	AMERICAN RICE, INC.	CHAIRMAN	YES
ANTONIO HERNÁNDEZ CALLEJAS	PASTIFICIO LUCIO GAROFALO, S.P.A.	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	N&C BOOST, N.V.	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	BOOST NUTRITION, C.V.	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	BOSTO PANZANI BENILUX, N.V.	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	BLUE RIBBON MILLS, INC.	CHAIRMAN	YES
ANTONIO HERNÁNDEZ CALLEJAS	EBRO FOODS, GMBH	JOINT & SEVERAL DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	T.A.G. NAHRUNGSMITTEL, GMBH	JOINT & SEVERAL DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	BERTOLINI IMPORT UND EXPORT, GMBH	JOINT & SEVERAL DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	PANZANI, S.A.S.	DIRECTOR	YES

Name of director	Name of Group company	Position	Has executive duties?
ANTONIO HERNÁNDEZ CALLEJAS	S&B HERBA FOODS, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	ARROZEIRAS MUNDIARROZ. S.A.	CHAIRMAN	YES
ANTONIO HERNÁNDEZ CALLEJAS	HERBA GERMANY, GMBH	JOINT & SEVERAL DIRECTOR	YES

C.1.12 Name the company directors, if any, who are on the Boards of non-group companies listed on Spanish stock exchanges, insofar as the company has been notified:

Name of Director	Listed Company	Position
DEMETRIO CARCELLER ARCE	SACYR, S.A.	VICE-CHAIRMAN 1
JOSÉ NIETO DE LA CIERVA	CORPORACIÓN FINANCIERA ALBA, S.A.	DIRECTOR
EUGENIO RUIZ-GÁLVEZ PRIEGO	PROSEGUR, COMPAÑÍA DE SEGURIDAD, S.A.	DIRECTOR
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	ENCE ENERGÍA Y CELULOSA, S.A.	DIRECTOR
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	COCA-COLA EUROPEAN PARTNERS	DIRECTOR

C.1.13 Indicate and, where appropriate, explain whether the company has established rules on the number of directorships its directors may hold:

YES NO

Explanation of the rules

Article 32.2 of the Regulations of the Board establishes, in the "General Duties of Directors" that Directors shall dedicate to the company such attention and time as may be necessary to guarantee the effective and adequate fulfilment of each and all of the duties corresponding to their position. Consequently, the maximum number of other directorships they may hold will be such as to ensure that they are able at all times to meet each and all of their obligations to the company.

C.1.14 Repealed.

C.1.15 Indicate the overall remuneration of the board:

Remuneration of the board (thousand euros)	5,672
Amount of the vested rights of current directors in pension schemes (thousand euros)	0
Amount of the vested rights of former directors in pension schemes (thousand euros)	0

C.1.16 Name the members of top management who are not executive directors and indicate the aggregate remuneration accrued in their favour during the year:

Name	Position
ANA MARÍA ANTEQUERA PARDO	MANAGER COMMUNICATIONS
LUIS PEÑA PAZOS	SECRETARY OF THE COMPANY AND BOARD
LEONARDO ÁLVAREZ ARIAS	MANAGER I.T.
PABLO ALBENDEA SOLÍS	CHIEF OPERATING OFFICER
ALFONSO FUERTES BARRÓ	FINANCE MANAGER
GABRIEL SOLÍS PABLOS	TAX MANAGER
YOLANDA DE LA MORENA CEREZO	VICE-SECRETARY OF THE BOARD
GLORIA RODRÍGUEZ PATA	CORPORATE ASSETS MANAGER
JESÚS DE ZABALA BAZÁN	MANAGER INTERNAL AUDIT
MANUEL GONZÁLEZ DE LUNA	MANAGER INVESTOR RELATIONS AND FINANCIAL INSTITUTIONS

Total remuneration top management (thousand euro)	2,164
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C.1.17 Name any board members who are also on the boards of companies holding significant interests in the listed company and/or in companies of its group:

Name of director	Name of significant shareholder	Position
DEMETRIO CARCELLER ARCE	SOCIEDAD ANÓNIMA DAMM	CHAIRMAN
JOSÉ NIETO DE LA CIERVA	CORPORACIÓN FINANCIERA ALBA, S.A.	DIRECTOR
JOSÉ NIETO DE LA CIERVA	BANCA INVERSIÓN, S.A.	CHAIRMAN
RUDOLF-AUGUST OETKER	SOCIEDAD ANÓNIMA DAMM	DIRECTOR

Describe the significant relationships of the board members with the controlling shareholders and/or companies in their group, other than as mentioned above:

Name of director

DEMETRIO CARCELLER ARCE

Name of significant shareholder

SOCIEDAD ANÓNIMA DAMM

Description of relationship

Demetrio Carceller Arce has an interest of 0.737% in Sociedad Anónima Damm

Name of director

ALIMENTOS Y ACEITES, S.A.

Name of significant shareholder

SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES

Description of relationship

Sociedad Estatal de Participaciones Industriales has a direct interest of 91.9625% in Alimentos y Aceites, S.A. and its company secretary and secretary of the board, Concepción Ordiz Fuertes, represents Alimentos y Aceites, S.A. on the board of Ebro Foods, S.A.

Name of director

EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.U.

Name of significant shareholder

JUAN LUIS GÓMEZ-TRENOR FOS

Description of relationship

At 31 December 2016, Juan Luis Gómez-Trenor Fos wholly owned Empresas Comerciales e Industriales Valencianas, S.L.U. and was its Sole Director. See Explanatory Note One in section H of this report.

C.1.18 State whether any modifications have been made during the year to the Regulations of the Board:

YES NO

C.1.19 Describe the procedures for selection, appointment, re-election, assessment and removal of directors. Indicate the competent bodies, the formalities and the criteria to be followed in each of these procedures.

The procedures for selection, appointment, re-election, assessment and removal of the directors are regulated in the Articles of Association and the Regulations of the Board.

There is also now a Policy for Selecting Candidates to be Directors of Ebro Foods, S.A., which specifically and verifiably establishes the basic criteria and principles to be followed in the selection of candidates. The Policy is applicable in the appointment, ratification and re-election of directors by the General Meeting and any appointments made by the Board by cooptation in the event of a vacancy pre-term. For candidates who are legal persons, the principles and criteria of the Policy must be observed in respect of the individuals representing them on the board.

The General Meeting is responsible for deciding on the number of directors the company is to have, within the minimum (7) and maximum (15) established in the Articles of Association, and for appointing or re-electing directors as proposed by the Board, subject to a favourable report by the Nomination and Remuneration Committee.

The Board may also appoint directors by cooptation, subject to a report by the Nomination and Remuneration Committee and by the Board of Directors on the terms stipulated in law.

In any case, the initiative of the Board regarding the incorporation of members by no means detracts from the sovereign power of the General Meeting to appoint and remove directors, or from any potential exercise by shareholders of their right to proportional representation.

The persons nominated by the Board for appointment or re-appointment as directors, or by the Nomination and Remuneration Committee in the case of independent directors, must be persons of recognised repute, with adequate experience and expertise to be able to perform their duties.

See the duties of the Nomination and Remuneration Committee in Explanatory Note Eight of section H regarding the role of that Committee in the appointment of directors.

Directors are appointed for a term of four years, after which they are eligible for re-election on one or several occasions for terms of an equal duration. This term of four years is counted from the date of the General Meeting at which they are appointed, or ratified when previously appointed by cooptation by the Board.

If vacancies arise during the term for which they were appointed, the Board may appoint shareholders to fill those vacancies up to the next general meeting. Directors' appointments shall end at the first general meeting held after expiry of their term or lapse of the time stipulated in law for holding the general meeting that is to approve the accounts of the previous year.

The appointment and re-election procedure shall be preceded by the corresponding reports from the Nomination and Remuneration Committee and the Board, on the terms stipulated in law.

The Board regularly (annually) rates the Board, Chairman and Committees on their efficiency and fulfilment of their obligations, requesting the corresponding reports from its Committees and, if considered necessary, proposing any modifications that may be appropriate to improve their performance.

Directors retire upon expiry of the term for which they were appointed and in all other events stipulated in law, the Articles of Association or the Regulations of the Board. They must tender their resignations to the Board and step down in the events established in the Regulations of the Board.

C.1.20 Explain to what extent the annual assessment of the board has given rise to major changes in its internal organisation and the procedures applicable to its activities.

Description of modifications

It has not given rise to any change.

C.1.20.bis Describe the process of assessment and the areas assessed by the board, assisted where necessary by an external consultant, on diversity in its composition and powers, the procedure and composition of its committees, the performance by the chairman of the board and CEO of the company and the performance and contribution of each director.

A) Process of self-assessment:

A self-assessment process is carried out every year on the Board, its Committees and the executive chairman of the company. That process is based on (i) a report prepared by the Nomination and Remuneration Committee for presentation to the Board, (ii) the activity reports of the Audit and Compliance Committee and the Nomination and Remuneration Committee, and (iii) the resolutions adopted by the Board of Directors in view of the foregoing.

B) Methods used:

The Board members complete a questionnaire rating certain aspects regarding the quality and efficiency of the Board procedures, the actions performed by the chairman of the board, who is at the same time the chief executive of the company, and the procedure of the Executive Committee and other Board Committees.

They can also make other comments, should they deem fit, on the functioning of the Board, its Committees and the Executive Chairman.

C) Areas assessed:

- Composition of the Board and actions by the Directors: assessment on the quantitative and qualitative composition of the Board and their perception of the performance by other directors of their duties.

- Procedure of the Board: assessment of the functioning of the Board, frequency of meetings, procedure for calling meetings, remittance of documentation for the meetings and quality of those documents, transaction of business within the Board and powers of the Board.

- Chairman of the Board: assessment on the dedication and actions by the Chairman, both as such and in his capacity as chief executive of the company.

- Committees of the Board: assessment of the directors' perception, from the Board, of the role of the Board Committees and perception of the members of the Board Committees on their functioning.

C.1.20.ter Describe, where appropriate, any business relations between the consultant or any company in its group with the company or any other company in its group.

No assistance was received from external consultants in the assessment of the Board, its Committees and its Chairman in 2016.

C.1.21 State the events in which directors are obliged to step down.

The retirement and resignation of directors are regulated in Article 31 of the Regulations of the Board:

- Directors must step down at the end of the term for which they were appointed and in all other events stipulated in law, the Articles of Association and the Regulations of the Board.

- Directors must also tender their resignations and step down in the following cases:

a) When they are affected by one of the causes of incompatibility or disqualification established in law, the articles of association or the regulations.

b) When they step down from the executive post to which their appointment as director was linked, when the shareholder they represent on the Board disposes of all its shares in the company or reduces its interest to an extent requiring a reduction in the number of proprietary directors and, in general, whenever the reasons for their appointment disappear.

c) When the Board, following a report by the Nomination and Remuneration Committee, considers that the Director has seriously defaulted his obligations or for reasons of corporate interest.

C.1.22 Repealed.

C.1.23 Are special majorities differing from those stipulated in law required for any type of decision?

YES NO

If yes, describe the differences:

C.1.24 Are there any specific requirements, other than those established for directors, to be appointed Chairman?

YES NO

C.1.25 Does the Chairman have a casting vote?

YES NO

C.1.26 Do the Articles of Association or Regulations of the Board establish an age limit for directors?

YES NO

C.1.27 Do the Articles of Association or Regulations of the Board establish a limited term of office for independent directors other than as stipulated in law?

YES NO

C.1.28 Do the Articles of Association or Regulations of the Board establish specific rules for the delegation of votes at board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may hold, and whether any limitation has been established regarding the categories to which proxies may be granted, other than those established in law? If yes, include a brief description.

Both the Articles of Association (Article 24) and the Regulations of the Board (Article 20) contemplate the possibility of directors attending Board meetings through a duly authorised proxy.

The proxy must be made in advance, in writing, especially for each board meeting, in favour of another director.

The represented director may issue specific voting instructions for any or all of the items on the agenda.

Non-executive directors may only grant proxies to other non-executive directors.

No limit is established on the number of proxies any one director may hold, or any limitation on the categories to which proxies may be granted, other than as stipulated by law.

- C.1.29 State the number of meetings held by the Board of Directors during the year, indicating, if appropriate, how many times the Board has met without the Chairman. Proxies made with specific instructions will be considered attendances:

Number of board meetings	11
Number of board meetings held without the chairman	0

If the chairman is an executive director, indicate the number of meetings held without the attendance or representation of any executive director and chaired by the lead independent director.

Number of meetings	0
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Indicate the number of meetings held by the different Committees of the Board:

Committee	No. meetings
EXECUTIVE COMMITTEE	7
AUDIT AND COMPLIANCE COMMITTEE	7
NOMINATION AND REMUNERATION COMMITTEE	6
STRATEGY AND INVESTMENT COMMITTEE	1

- C.1.30 State the number of meetings held by the Board during the period attended by all its members. Proxies made with specific instructions will be considered attendances:

Number of meetings attended by all the directors	9
% attendance over total votes during the year	97.79%

- C.1.31 Are the separate and consolidated annual accounts submitted to the Board for approval previously certified?

YES NO

If yes, name the person(s) who certify the separate or consolidated annual accounts of the company before they are approved by the Board:

- C.1.32 Explain the mechanisms, if any, established by the Board to avoid a qualified auditors' report on the separate and consolidated accounts laid before the General Meeting.

Relations with the auditors are expressly regulated in Article 43 of the Regulations of the Board.

The Board shall establish an objective, professional and continuous relationship with the external auditors of the company appointed by the general meeting, guaranteeing their independence and providing them with all the information they may require to perform their duties. This relationship and the relationship with the Internal Audit Manager shall be channelled through the Audit and Compliance Committee. Furthermore, the Board shall endeavour to draw up the Annual Accounts in such a way as to avoid a qualified Auditors' report.

Within the specific duties attributed to the board in certain areas, Article 9 of the Regulations establishes that the Board shall see that the separate and consolidated Annual Accounts and Directors' Reports give a true and fair view of the equity, financial position and results of the company, as stipulated in law, and each and all of the Directors shall have all the necessary information before signing the Annual Accounts.

Article 24.4 of the Regulations of the Board gives the Audit and Compliance Committee certain powers to ensure that the Annual Accounts are filed without a qualified auditors' report (see section C.2.4 of this Report).

Finally, there is a Risks Control and Management Policy established in the Group laying down the basic principles and the general framework for control and management of the business risks, including tax risks, and internal control of financial reporting to which the Company and other companies in its group are exposed.

As regards the control of financial reporting, the Group has procedures in place for checking and authorising financial reporting and a description of the financial reporting internal control system (FRICS), responsibility for which lies with the Economic and Finance Department, the Risks Committee, the economic and finance departments of the different business units, the Audit and Compliance Committee and the Board. Financial information is checked and authorised up by the Economic and Finance Department of the Group on the basis of the information confirmed in the different business units. The information to be remitted to the market is supervised by the Audit and Compliance Committee and approved by the Board.

C.1.33 Is the Secretary of the Board a Director?

YES NO

If the secretary is not a director, complete the following table:

Name of Secretary	Representative
LUIS PEÑA PAZOS	

C.1.34 Repealed.

C.1.35. Describe any mechanisms established by the company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.

A. With regard to the external auditors:

Both the Articles of Association and the Regulations of the Board vest in the Audit and Compliance Committee the power, among others, to contact the auditors and receive information on any issues that may jeopardise their independence, for examination by the Audit Committee, as well as any other issues relating to the auditing of accounts. The Committee shall also receive information from and exchange communications with the auditors in accordance with prevailing auditing standards and legislation, notwithstanding the ultimate responsibility of the Board, which, pursuant to Article 8.1.3.(a) of the Regulations of the Board is responsible for ensuring the independence and professional suitability of the External Auditor.

Article 43 of the Regulations of the Board addresses relations with the auditors, obliging the Board to establish an objective, professional, continuous relationship with the External Auditors of the Company appointed by the General Meeting, guaranteeing their independence and putting at their disposal all the information they may require to perform their duties. It further establishes that the aforesaid relationship with the External Auditors of the Company and the relationship with the Internal Audit Manager shall be conducted through the Audit and Compliance Committee.

Finally, Article 24.4 of the Regulations of the Board establish the following powers of the Audit and Compliance Committee in this respect:

- Supervise and promote the policies, procedures and systems used for drawing up and controlling the company's financial information, checking the services performed in this regard by the Internal Audit Department, the Financial Department and the Management Committee and making sure they are correctly distributed throughout the Group.
- Receive the information sent regularly to the Stock Exchange Councils, issue prospectuses and any public financial information offered by the Company and, in general, all information prepared for distribution among shareholders, ensuring the existence of internal control systems that guarantee the transparency and truth of the information.
- Ensure that (i) the systems used for preparing the separate and consolidated Annual Accounts and Directors' Report submitted to the Board to be authorised for issue in accordance with current legislation give a true and fair view of the equity, financial position and results of the Company and make sure that any interim financial statements are drawn up according to the same accounting principles as the annual accounts, considering the possibility of asking the external auditors to make a limited audit if necessary; and (ii) the Board of Directors endeavours to submit the annual accounts to the General Meeting with an unqualified auditors' report.

In this respect, it shall also see that the internal control systems are adequate and effective in respect of the accounting practices and principles used for drawing up the company's annual accounts, supervising the

policies and procedures established to ensure due compliance with applicable legal provisions and internal regulations. The Committee shall, through its Chairman, obtain information and collaboration from both the Internal Audit Manager and the external auditors to perform these duties.

- Establish regular contact with the external auditors to receive information on any issues that may jeopardise their independence, and any other issues relating to the auditing of accounts, receiving information from and exchanging communications with the external auditors in accordance with prevailing auditing standards and legislation.

- Be informed of the decisions adopted by the senior management according to recommendations made by the external auditors in connection with the audit.

- Ensure the independence of the external auditors and the existence of a discussion procedure enabling the external auditors, the Internal Audit Department and any other expert to inform the company of any significant weaknesses in its internal control detected while checking the annual accounts or any other processes in which they have worked. The Committee shall issue an annual report, prior to issuance of the auditor's report, expressing an opinion on the independence of the external auditors and any supplementary services they may have provided.

B. With regard to relations with analysts, investment banks and rating agencies:

The company has a Policy on Communication and Relations with Shareholders, Institutional Investors and Proxy Advisors approved by the Board, and a shareholder and investor relations department, through which communications and information for investors in general are channelled.

Article 42 of the Regulations of the Board regulates the company's relations with shareholders and the markets in general, providing that the Board shall take such measures as may be necessary to enable participation by shareholders in general meetings and organise meetings to inform the shareholders and investors (particularly institutional investors) on the progress of the company and, where appropriate, its subsidiaries.

The Policy on Communication and Relations with Shareholders, Institutional Investors and Proxy Advisors contemplates the following general principles applicable in this matter:

- Communication and relations with shareholders, institutional investors and proxy advisors shall be conducted in accordance with the principles of transparency, truth and permanent, adequate, timely reporting.

- The principle of non-discrimination and equal treatment is recognised for all shareholders who are in the same conditions and not affected by conflicts of interest or competence.

- The rights and legitimate interests of all shareholders shall be protected.

- Continuous, permanent communication with shareholders and investors shall be encouraged.

- Reporting and communication channels shall be established with shareholders and investors to ensure compliance with these principles.

The company's Audit and Compliance Committee is responsible for overseeing compliance with the rules and principles set out in the Policy on Communication and Relations with Shareholders, Institutional Investors and Proxy Advisors.

C.1.36 Indicate whether the external auditors have changed during the year. If so, name the incoming and outgoing auditors:

YES NO

Explain any disagreements with the outgoing auditor:

C.1.37 State whether the firm of auditors does any work for the company and/or its group other than standard audit work and if so, declare the amount of the fees received for such work and the percentage it represents of the total fees invoiced to the company and/or its group:

YES NO

	Company	Group	Total
Cost of work other than auditing (thousand euro)	137	327	464
Cost of work other than auditing / Total amount invoiced by the auditors (%)	52.49%	19.55%	23.99%

C.1.38 Indicate whether the auditors' report on the annual accounts of the previous year was qualified. If so, state the reasons given by the Chairman of the Audit Committee to explain the content and scope of the qualifications.

YES NO

C.1.39 State the number of years in succession that the current firm of auditors has been auditing the annual accounts of the company and/or its group. Indicate the ratio of the number of years audited by the current auditors to the total number of years that the annual accounts have been audited:

	Company	Group
Number of years in succession	3	3
Number of years audited by current auditors / Number of years that the company has been audited (%)	11.50%	11.50%

C.1.40 Indicate, giving details if appropriate, whether a procedure has been established for directors to receive external counselling:

YES NO

Details of procedure

The directors' right to counselling and information is regulated in Article 40 of the Regulations of the Board, which provides that:

- Any Director may, in the course of any specific duties commissioned to them on an individual level or within the framework of any of the Committees of the Board, request the Chairman to contract, at the Company's expense, such legal advisers, accountants, technical, financial or commercial experts or others as they may consider necessary, in order to assist them in the performance of their duties, provided such counselling is justified to resolve specific problems that are particularly complex and important.

- Considering the circumstances of the specific case, the Chairman may deny or authorise the proposal in a communication sent through the Secretary of the Board, who shall, provided the proposal is authorised, contract the expert in question.

- The Chairman may also put the proposal to the Board, which may refuse to finance the counselling if (i) it is considered unnecessary for discharging the duties commissioned, (ii) the amount of finance required is considered out of proportion with the importance of the matter, or (iii) the Board considers that the technical assistance requested could be adequately provided by Company employees.

C.1.41 Indicate, with details if appropriate, whether there is an established procedure for directors to obtain sufficiently in advance any information they may need to prepare the meetings of the governing bodies:

YES NO

Details of procedure

Article 40 of the Regulations of the Board establishes the directors' right to counselling and information, providing that:

- Directors shall, whenever so required in the performance of their duties, have the fullest powers to obtain information on any matter whatsoever, obtaining such documents, records, background information or other elements as they may require in this respect. This right to information is extended to subsidiaries.

- All requests for information shall be addressed to the Chairman and met by the Secretary of the Board, who shall supply the information directly or indicate who is to be contacted within the Company and, in general, establish the necessary measures to fully meet the Director's right to information.

As a rule, all documents supporting the business to be transacted at board meetings are sent together with the notice of call.

C.1.42 Indicate, with details if appropriate, whether the company has established any rules obliging Directors to report and, if necessary, retire in any situations that could be detrimental to the prestige and reputation of the company:

YES NO

Explain the rules

Article 31 (Retirement of Directors) of the Regulations of the Board, in Chapter VII (Directors' Statute) provides as follows:

(i) Directors shall step down and tender their resignation when they are affected by one of the cases of incompatibility or disqualification established in law, the Articles of Association or these Regulations; and

(ii) If a Director is prosecuted or an order is passed to commence trial against him for any offences contemplated in the applicable laws and regulations, he shall notify the Board as promptly as he is able. The Board shall study the case as soon as possible and, in view of the specific circumstances, decide whether or not that Director should remain in office, reporting on that decision and the underlying reasons in the Annual Corporate Governance Report.

C.1.43 Have any members of the Board informed the company that they have been sued or brought to trial for any of the offences contemplated in s. 213 of the Corporate Enterprises Act?

YES NO

State whether the Board has studied the case. If so, indicate and explain the decision made as to whether or not the director should remain in office or, if appropriate, describe the actions taken by the board up to the date of this report, or which it plans to take.

C.1.44 Describe any significant agreements entered into by the company which enter into force, are modified or terminated in the event of a takeover of the company following a takeover bid, and the effects thereof.

Most of the financing agreements signed by the company include takeover clauses on the usual terms for this type of contract. By virtue of those provisions, the lender reserves the right to terminate the financing agreement in the event of a takeover of the company. Although there is no uniform definition of "takeover" for this purpose, the lender's right is triggered if there is a substantial change in the company's controlling shareholders.

C.1.45 Indicate globally and describe in detail any agreements made between the company and its directors, executives or employees contemplating golden handshake clauses in the event of resignation or unfair dismissal or termination of employment following a takeover bid or any other type of transaction.

Number of beneficiaries: 2

Type of beneficiary:

Executives

Description of the agreement:

Golden handshake clauses are established for two non-director executives in the event of dismissal or takeover in excess of the amount that would be payable pursuant to the labour laws currently in place.

State whether these contracts have to be notified to and/or approved by the governing bodies of the company/group companies:

	Board of Directors	General Meeting
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Body authorising the clauses	Yes	No
	Yes	No
Is the General Meeting informed on the clauses?	X	

C.2 Committees of the Board

C.2.1 Give details of the different committees, their members and the proportion of executive, proprietary, independent and other non-executive directors in each committee:

EXECUTIVE COMMITTEE

Name	Position	Type
ANTONIO HERNÁNDEZ CALLEJAS	CHAIRMAN	Executive
DEMETRIO CARCELLER ARCE	VICE CHAIRMAN	Proprietary
JOSÉ ANTONIO SEGURADO GARCÍA	MEMBER	Independent
JOSÉ NIETO DE LA CIERVA	MEMBER	Proprietary

% executive directors	25.00%
% proprietary directors	50.00%
% independent directors	25.00%
% other non-executive directors	0.00%

Explain the duties attributed to this committee, describe the procedures and rules of organisation and procedure and summarise its most important actions during the year.

The Executive Committee shall have no fewer than three nor more than seven members, including the Chairman and Vice-Chairman of the Board, who will form part of this Committee.

The Executive Committee shall be presided by the Chairman of the Board. In general, one Executive Committee meeting will be held a month. Its meetings may be attended by such members of the management, employees and advisers of the company as the Committee may deem fit.

The powers of the Executive Committee, its actions during 2016 and its composition at the date of this report are set out in Explanatory Note Eight in section H of this report.

State whether the composition of this committee reflects the participation in the Board of the different categories of director:

YES NO

AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Type
JOSE IGNACIO COMENGE SANCHEZ-REAL	CHAIRMAN	Independent
FERNANDO CASTELLÓ CLEMENTE	MEMBER	Independent
MERCEDES COSTA GARCÍA	MEMBER	Independent
EUGENIO RUIZ-GÁLVEZ PRIEGO	MEMBER	Other non-executive
GRUPO TRADIFÍN, S.L.	MEMBER	Proprietary

% proprietary directors	20.00%
% independent directors	60.00%
% other non-executive directors	20.00%

Explain the duties attributed to this committee, describe the procedures and rules of organisation and procedure and summarise its most important actions during the year.

This Committee has a minimum of three directors and a maximum of five.

All the members of this committee must be non-executive directors, the majority must be independent directors and one of the members must be appointed on account of his/her expertise and experience in accounting, auditing or both.

The Board shall appoint one of the independent directors on the Audit and Compliance Committee to chair that committee, subject to a report by the Nomination and Remuneration Committee. The Committee Chairman shall be replaced every four years and will become eligible for re-election one year after his retirement as such.

Meetings are held when called by its Chairman, or at the request of two of its members and at least once every three months. It shall also meet whenever so required by law or when the Board requests the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties.

The powers of the Audit and Compliance Committee, its actions during 2016 and its composition at the date of this report are set out in Explanatory Note Eight in section H of this report.

Name the member of the audit committee who has been appointed on account of his expertise and experience in accounting, auditing or both and indicate the number of years that the chairman of this committee has held this position:

Name of director with experience	JOSE IGNACIO COMENGE SANCHEZ-REAL
No. years that the chairman has been in office	2

NOMINATION AND REMUNERATION COMMITTEE

Name	Position	Type
FERNANDO CASTELLÓ CLEMENTE	CHAIRMAN	Independent
DEMETRIO CARCELLER ARCE	MEMBER	Proprietary
JOSÉ ANTONIO SEGURADO GARCÍA	MEMBER	Independent
GRUPO TRADIFÍN, S.L.	MEMBER	Proprietary

% proprietary directors	50.00%
% independent directors	50.00%
% other non-executive directors	0.00%

Explain the duties attributed to this committee, describe the procedures and rules of organisation and procedure and summarise its most important actions during the year.

This Committee has a minimum of three and a maximum of five non-executive directors, at least two of which must be independent directors. The members are appointed by the Board in accordance with the provisions of law, the Articles of Association and the Regulations of the Board.

The Board shall appoint one of the independent directors who are members of the committee to chair it, subject to a report by that Committee.

Meetings are held when called by its Chairman, or at the request of two of its members and at least once every three months. It shall also meet whenever so required by law or when the Board requests the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties.

The powers of the Nomination and Remuneration Committee, its actions during 2016 and its composition at the date of this report are set out in Explanatory Note Eight in section H of this report.

STRATEGY AND INVESTMENT COMMITTEE

Name	Position	Type
DEMETRIO CARCELLER ARCE	CHAIRMAN	Proprietary
ANTONIO HERNÁNDEZ CALLEJAS	MEMBER	Executive
JOSÉ NIETO DE LA CIERVA	MEMBER	Proprietary
HERCALIANZ INVESTING GROUP, S.L.	MEMBER	Executive

% executive directors	50.00%
% proprietary directors	50.00%
% independent directors	0.00%
% other non-executive directors	0.00%

Explain the duties attributed to this committee, describe the procedures and rules of organisation and procedure and summarise its most important actions during the year.

This Committee has a minimum of three and a maximum of five directors, including a Chairman, appointed by the Board subject to a report by the Nomination and Remuneration Committee

Meetings are held when called by its Chairman, or at the request of two of its members and at least once every three months. It shall also meet whenever so required by law or when the Board requests the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties.

The powers of the Strategy and Investment Committee, its actions during 2016 and its composition at the date of this report are set out in Explanatory Note Eight in section H of this report.

C.2.2 Complete the following table with information on the number of female directors on the board committees over the past four years:

	Number of female directors							
	2016		2015		2014		2013	
	No.	%	No.	%	No.	%	No.	%
EXECUTIVE COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
AUDIT AND COMPLIANCE COMMITTEE	2	40.00%	1	25.00%	2	40.00%	2	40.00%
NOMINATION AND REMUNERATION COMMITTEE	1	25.00%	1	25.00%	2	40.00%	2	40.00%
STRATEGY AND INVESTMENT COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3 Repealed.

C.2.4 Repealed.

C.2.5 Indicate the existence, if appropriate, of regulations of the board committees, where they are available for consultation and any modifications made during the year. State whether an annual report has been issued voluntarily on the activities of each committee.

In general, Article 28 of the Articles of Association establishes the basic regulation of the Committees of the Board, contemplating the existence and composition of (i) the Executive Committee, (ii) the Audit and Compliance Committee and (iii) the Nomination and Remuneration Committee. It also refers to the Regulations of the Board regarding the possible existence of a Strategy and Investment Committee.

The Regulations of the Board regulate the Board committees in the following specific provisions:

- General provisions applicable to all the committees: Article 22
- Executive Committee, Article 23
- Audit and Compliance Committee, Article 24
- Nomination and Remuneration Committee, Article 25
- Strategy and Investment Committee, Article 26

The Regulations of the Board also contemplate in different articles powers of the different Committees of the Board in different areas (e.g. modification of the Regulations).

Both the Articles of Association and the Regulations of the Board are permanently available for consultation on the company's website (www.ebrofoods.es). The Regulations of the Board are also published and available for consultation on the website of the National Securities Market Commission (www.cnmv.es).

Both the Audit and Compliance Committee and the Nomination and Remuneration Committee issue annual activity reports, which are submitted to the Board of Directors for its information and consideration within the assessment of the Board and its Committees. Those activity reports are made available for shareholders on the company's website (www.ebrofoods.es) coinciding with the call to the Annual General Meeting of Shareholders.

C.2.6 Repealed.

D. RELATED PARTY AND INTER-COMPANY TRANSACTIONS

D.1 Explain the procedure, if any, for approving related party and inter-company transactions.

Procedure for approving related party transactions

Apart from cases which, by law, require approval by the General Meeting, related party transactions are approved by the Board subject to a report by the Audit and Compliance Committee.

Article 24 of the Regulations of the Board establishes the power of the Audit and Compliance Committee to report to the Board prior to the adoption of any decisions on related party transactions submitted for its authorisation and to supervise and report to the Board on intragroup and related party transactions of the company or subsidiaries of the Group.

With regard to related party transactions, Article 37.3 of the Regulations of the Board expressly establishes that other than in the cases in which this power is reserved by law to the General Meeting, any transactions made by the company or group companies with directors, controlling shareholders, other related parties or shareholders represented on the Board must be authorised by the Board. That authorisation is not necessary when the transactions meet all of the following three conditions: (i) they are made under contracts with standard terms and conditions applied "en masse" to numerous clients; (ii) they are made at prices or rates established generally by the supplier of the goods or provider of the services in question. (iii) the amount thereof does not exceed 1% of the company's annual revenue.

General, prior authorisation by the Board for a line of transactions and their conditions, subject to a report by the Audit and Compliance Committee, will be sufficient for bilateral or recurring transactions made in the normal course of the company's business. Finally, in cases where urgent action is necessary, related party transactions may be authorised by the Executive Committee, subject to subsequent ratification by the Board.

Finally, the company makes intragroup transactions on arm's length terms, documenting them according to the requirements of the laws (essentially tax laws) in place in each jurisdiction. This is one of the practices required by the Risk Control and Management Policy established in the Ebro Group.

D.2 List any transactions for a significant amount or object between the company and/or companies in its group and controlling shareholders of the company:

Name of significant shareholder	Name of company or group company	Relationship	Type of transaction	Amount (thousand euro)
SOCIEDAD ANÓNIMA DAMM	HERBA RICEMILLS, S.L.U.	Contractual	Sale of goods (finished or otherwise)	5,334

D.3 List any significant transactions for a significant amount or object between the company and/or companies in its group and the directors or executives of the company:

Name of director or executive	Name of company or group company	Relationship	Type of transaction	Amount (thousand euro)
ANTONIO HERNÁNDEZ CALLEJAS	LUIS HERNÁNDEZ GONZÁLEZ	Relative	Operating leases	40
ANTONIO HERNÁNDEZ CALLEJAS	CARDENAL ILUNDAIN 4, S.L.	Corporate	Operating leases	72
GRUPO TRADIFÍN, S.L.	REAL CLUB DE GOLF DE SEVILLA, S.L.	Corporate	Services received	9
HERCALIANZ INVESTING GROUP, S.L.	INSTITUTO HISPÁNICO DEL ARROZ, S.A.	Corporate	Purchase of goods (finished or otherwise)	2,209
GRUPO TRADIFÍN, S.L.	INSTITUTO HISPÁNICO DEL ARROZ, S.A.	Corporate	Purchase of goods (finished or otherwise)	2,209
ALIMENTOS Y ACEITES, S.A.	-	-	Dividends and other distributions	8,608
FERNANDO CASTELLÓ CLEMENTE	-	-	Dividends and other distributions	1,246
ANTONIO HERNÁNDEZ CALLEJAS	ANTONIO HERNÁNDEZ GONZÁLEZ	Relative	Dividends and other distributions	6
ANTONIO HERNÁNDEZ CALLEJAS	LUIS HERNÁNDEZ GONZÁLEZ	Relative	Dividends and other distributions	7
JOSÉ NIETO DE LA CIERVA	-	-	Dividends and other distributions	5
JOSÉ NIETO DE LA CIERVA	M ^a MACARENA AGUIRRE GALATAS	Relative	Dividends and other distributions	1
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	-	-	Dividends and other distributions	2
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	LA FUENTE SALADA, S.L.	Corporate	Dividends and other distributions	1,927
JOSÉ ANTONIO SEGURADO GARCÍA	-	-	Dividends and other distributions	2
JOSÉ ANTONIO SEGURADO GARCÍA	SEGURIDAD Y GALOBART, S.L.	Corporate	Dividends and other distributions	1
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.U.	-	-	Dividends and other distributions	5,988

D.4 Report any significant transactions with other companies in the group that are not eliminated in the consolidated financial statements and which do not, by virtue of their object or terms, correspond to the normal business of the Company:

In any case, inform on any inter-company transaction with companies established in countries or territories considered tax havens:

D.5 State the amount of transactions made with other related parties.

318 (thousand euros).

D.6 Describe the mechanisms established to detect, define and resolve possible conflicts of interest between the company and/or its group, and its directors, executives or controlling shareholders:

Apart from the powers of the General Meeting and the Board of Directors on conflicts of interest of the directors, under Article 24 of the Regulations of the Board, the Audit and Compliance Committee has the power to settle any conflicts of interest that may arise between the company or the group and its directors, executives, significant shareholders and listed subsidiaries, if any.

With regard to the directors, Article 36 of the Regulations of the Board provides that directors may not perform activities for their own or third party account that effectively or potentially compete with the company or which otherwise puts them in a permanent conflict of interest with the company; and Article 37.1 establishes the obligation of directors to take such measures as may be necessary to avoid falling into situations in which their interests, for their own or third party account, may conflict with the corporate interests and their duties to the company.

For this purpose, Article 38 of the Regulations stipulates that directors shall inform the Board of any direct or indirect conflict of interest that they or any of their related parties may have with the company. Furthermore, pursuant to Article 32.4 of the Regulations, directors shall abstain from participating in the corresponding debates and voting on resolutions or decisions in which they or any person related to them has a direct or indirect conflict of interest, except in the cases in which they are authorised by law to participate in the discussion and voting.

Rule 13 of the current Internal Code of Market Conduct stipulates that any Relevant Persons (directors, senior executives and their closely related parties) who are or may be in a conflict of interest shall (i) Inform the Compliance Unit of their situation; (ii) abstain from participating in or influencing any decisions on the matters affected by the conflict; (iii) act with freedom of judgement, loyalty to the Company and its shareholders and independently of their own interests; and (iv) abstain from requesting or having access to any information or documentation related with the conflict of interest. It also provides that the Audit and Compliance Committee, assisted by the Compliance Unit, shall make such decisions as may be necessary in respect of any conflicts of interest that may arise.

Without prejudice to their obligation to inform, both the directors (and in the case of corporate directors, also their representatives on the board) and the significant shareholders of the company are asked each year, when drawing up the Annual Accounts and preparing the Annual Corporate Governance Report, for confirmation of any transactions that they may have made with the company and/or other companies in the group, their engagement in activities similar or complementary to those included in the company's objects and that there have been no other conflicts of interest during the year.

D.7 Is more than one company of the Group listed in Spain?

YES NO

Name any subsidiaries listed in Spain:

Listed subsidiary

State whether the respective areas of business and possible business relationships between them have been precisely and publicly defined, as well as those of the listed subsidiary with other group companies;

Define any business relationships between the parent company and the listed subsidiary and between the latter and the other group companies

Describe the mechanisms in place to settle any possible conflicts of interest between the listed subsidiary and other companies in the group:

Mechanisms for solving possible conflicts of interest

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the company's Risk Management System, including tax risks.

As an integral part of the corporate policies passed by the Board, the Risk Control and Management Policy lays down the basic principles and the general framework for control and management of the business risks, including tax risks, and internal control of financial reporting to which Ebro Foods, S.A. and other companies in its group are exposed.

Within this general framework, the integral, homogenous Risk Control and Management System is based on the preparation of a business risk map, through which, by pinpointing, assessing and grading of the risk management capacity, the risks are ranked from greater to lesser impact for the Group and by probability of occurrence. The risk map also identifies methods for mitigating or neutralising the risks detected.

The risk universe is structured in four main groups: compliance, operational, strategic and financial, and they are all subdivided into a large number of categories.

The risk classification process dynamically assesses both the inherent risk and the residual risk after application of the internal controls and action protocols established to mitigate them. These controls include preventive controls, adequate separation of duties, clear levels of authorisation and definition of policies and procedures. These controls can in turn be grouped into manual and automatic, made by data processing applications.

This model is both qualitative and quantitative and can be measured in the Group's results, for which purpose the risk level is considered acceptable or tolerable on a corporate level.

The Risk Control and Management System is dynamic, so the risks to be considered will vary according to the circumstances in which the Group's business is performed.

E.2 Name the corporate bodies responsible for preparing and implementing the Risk Management System, including tax risks.

The System for Control and Management of Risks, including tax risks, and control of financial reporting is based essentially on the following structure:

- The Board of Directors, as ultimately responsible, defines the policy for control and management of risks, including tax risks, and control of financial reporting. Article 17.3 of the Regulations of the Board provide that the Board shall receive information on the most important aspects of business management and any foreseeable risk situations for the Company and its subsidiaries, together with the actions proposed by the senior management in respect thereof.
- The Audit and Compliance Committee, through the Risks Committee, performs the duties of oversight and monitoring of the financial reporting and risk control systems, reporting regularly to the Board on any significant aspects arising in these areas. It is responsible for supervising and promoting internal control of the company and the risk management systems and submitting recommendations to the Board on the risk control and management policy and possible mitigation measures in those areas.
- The Risks Committee, based on the policy established by the Board and under the supervision of and reporting to the Audit Committee, is specifically responsible for coordinating and monitoring the system for control and management of risks, including tax risks, and control of the Group's financial reporting. The Risks Committee also analyses and assesses the risks associated with new investments.
- The Management Committees of the different units, on which the Chairman of the Board and the Chief Operating Office (COO) sit, assess the risks and decide on mitigation measures.
- Risk officers in the different units. The Risks Committee nominates individuals in the major subsidiaries to monitor the systems for control and management of risks, including tax risks, and control of the financial reporting and reporting to the Committee.
- Internal Audit Department. Within the internal audits of the different subsidiaries, the Company's Internal Audit Department checks that the testing and control of the financial reporting and risk management systems have been performed adequately in accordance with the indications by the Risks Committee.

E.3 Define the main risks, including tax risks, that could have a bearing on achievement of the company's business goals.

A. Operational risks:

- Food safety: Owing to the nature of the Group's business, aspects regarding food safety are a critical point to which the Group pays the utmost attention, as it is bound by a large number of laws and standards in each of the countries in which the Group's products are put on the market.

- Commodity supply risk: The availability of commodities in the quantity and quality required to meet our commitments to customers and the requirements of our brands is a key factor for our business both nationally (Spanish paddy rice) and internationally (semi-processed rice for the Group subsidiaries).

- Market risk (prices): Unexpected variations in the prices of our commodity supplies may seriously affect the profitability of our commercial transactions, in both the industrial and brand-based segments. The main risk lies in the prices of the different rice varieties and durum wheat, although it extends also to other materials consumed, such as packaging material and oil derivatives.

- Customer concentration risk: The concentration of customers, which can occur in both the industrial and brand segments, may lead to less favourable commercial terms for our sales and affect our credit risk.

- Technological risk. In our sector, one of the most important tools for competing with our rivals is based on constant technological innovation and searching for ways to adapt to consumers' desires. Consequently, "technological lag" is considered a possible risk.

B. Risks related with the environment and strategy:

- Environmental risks: Respect for the environment is another critical point for the Group, considering our industrial activity, with a large number of plants distributed internationally. We aim to adopt a set of good practices, complying scrupulously with the law.

- Climate risk: The effects of droughts, flooding and other weather perils in the countries where we source our supplies can cause problems of availability and unstable commodity prices, in both rice and durum wheat.

- Competition risk: In general, the pressure from white label brands is the main threat for maintaining the market shares of the Group's brands.

- Reputational risk: This is the risk associated with changes of opinion resulting in a negative perception of the Group, its brands or products by customers, shareholders, suppliers, market analysts, employees, institutions, etc., as they may adversely affect the Group's ability to maintain its commercial and financial relations or its interaction with social partners.

- Changes in lifestyle: The proliferation of low carbohydrate diets or other food habits could alter consumers' perception of our products.

- Country or market risk. Owing to the international nature of the Group's activities, political and economic circumstances in the different countries in which we operate and other market variables, such as exchange rates, interest rates, costs of production, etc. may affect our business.

- Natural disasters, fires, etc.: As a major industrial group, a significant part of the assets on the Group's balance sheet corresponds to its factories, so any natural incidents (earthquakes, fires or similar) that may affect the integrity of the Group's plants are a business risk.

C. Compliance risks:

- Sectoral regulatory risk: The food industry is a sector subject to numerous regulations affecting export and import quotas, customs duties, intervention prices, etc., subject to the directives laid down in the Common Agricultural Policy (CAP). The Group's activity may also be affected by changes in legislation in the countries in which it sources raw materials or sells its products.

- General regulatory risk: These include risks of compliance with civil, commercial, criminal and good governance provisions. In the area of criminal risks, the Group has a Crime Prevention Model, monitored and controlled by the Compliance Unit. At the date of this report, the Compliance Unit is working on the preparation of a criminal risks training plan for employees.

- Tax risks: Any changes in the tax laws or the interpretation or application thereof by the competent authorities in the countries in which the Group operates could affect its earnings.

D. Financial risks:

This group includes foreign exchange, interest rate, liquidity and credit risks. The foreign exchange risk is particularly significant because the functional currency of the Group is the euro, but a considerable part of its commodity supply transactions are in US dollars and a very large part of the Group's investments are also in that currency.

E.4 State whether the company has a risk tolerance level, including one for tax risks.

Risks are measured by both inherent and residual risk.

A scorecard is made each year of the principal ten risks to which the Group may be exposed (the TOP TEN), which are rated and measured as far as possible. If the economic consequences of a risk could cause a loss (or a loss of profit) of more than 5% of the consolidated EBITDA budgeted, or over 20% of the individual EBITDA of a business, it is considered a threat requiring corporate action.

In general, the heads of the different business units (the Management Committee of each unit) define the risks affecting their respective businesses, assess the possible economic impact of those risks and, according to the specific circumstances prevailing, establish whatever mitigation measures they deem fit. Without prejudice to the supervision by the Risks Committee and Audit Committee, the Management Committee of each unit implements and monitors the mitigation measures taken and assesses the results thereof.

This notwithstanding, when a threat is identified that requires action on a corporate level (as mentioned in the first paragraph above), the persons responsible for risk control and management in the corresponding unit inform the Risks Committee of the situation, proposing such mitigation measures as may be considered adequate. The Risks Committee assesses the situation and the sufficiency and suitability of the proposed mitigation measures, supplementing them with additional measures should it deem fit.

E.5 What risks, including tax risks, have occurred during the year?

The abundant spring rainfall in Texas caused a delay in the crop dates of a local variety and a smaller harvest than usual. The combination of circumstances produced a smaller supply and an increase in commodity prices. In response to this, alternative sourcing was sought and the expenditure related with this product was strictly controlled, in an effort to maintain or even increase our market share and mitigate the effect on our profit and loss account.

At the beginning of the year, some of the distributors of our sauces in France decided to reduce the number of references available on the shelves, alleging that the returns on those products were lower than their targets. As a result, our market share dropped by three percentage points in the first half of the year. Our response was to implement a broad array of actions, consisting of renovating references, introducing new recipes and changing the formats, so that distribution could set better prices and obtain greater margins. By year-end, two of the percentage points lost had been recovered.

The rice sector faces the ban in the European Union, as from the 2017 crop, of a pesticide used in the sector to control *Pyricularia Stativae*. This ban puts the supply of raw materials at risk and, since compliance is passed on to marketing of the product, may constitute a regulatory and reputational risk. This situation has been tackled from three fronts: by making growers aware of the need to change crop treatment, accompanying and advising lawmakers on the inception of the new provisions and pointing out the possible consequences, and finally, subscribing local initiatives and collaboration with different entities to research and develop alternative treatments.

During the year we have witnessed situations that we classify as country or market risk. The most well-known situation was the outcome of the referendum for the UK to pull out of the European Union. This creates a considerable number of uncertainties that have not yet been clarified, the solving and possible impact of which will depend largely on the conditions agreed by the parties to that process. There are numerous risks, although at year-end the only one that has materialised is that deriving from the devaluation of sterling against the euro and the US dollar, which are the currencies used to supply rice for the Group's subsidiary in the UK. The local risks committee is monitoring the situation, putting questions to the members of parliament and trying to minimise the impact of exchange rate variations through a hedging policy.

Some of our companies suffered especially aggressive competition during the year. This has been particularly severe and extended in Canada, where this tough competition has put additional pressure on retail prices and promotional activity in this segment. In response to this challenge, the number of exclusivity agreements and private label production agreements was stepped up to guarantee an adequate volume of production in the medium time and secure medium and long-term profitability. This has enabled us to maintain our leadership of the market and stabilise earnings.

The Canadian dollar showed continuous signs of weakness against the US dollar in late 2015-early 2016, due to low commodity prices (especially oil) and the later economic recovery than that of its neighbouring country and main client.

Our Canadian subsidiary purchases a significant part of its raw materials in US dollars and this volatility created a considerable foreign exchange risk in purchase prices.

To mitigate this risk, our subsidiary arranged a number of exchange rate hedges, which stabilised the prices of its purchase commitments, although when the relative exchange rates changed in the second half of the year, it had to maintain contracts that were more expensive than spot trading.

E.6 Explain the response and supervision plans for the main risks, including tax risks, to which the company is exposed.

The management committee in each subsidiary is responsible for monitoring the subsidiary's risk supervision system. Management committees usually meet monthly to analyse any risks that may have materialised and follow up the contingency plans and actions taken to mitigate them. Control and monitoring of the economic variables in each subsidiary against the corresponding budget also ensures the immediate detection of unforeseen risk situations. The subsidiaries with greatest weight within the Group, such as the North American subsidiaries, have "Crisis Management Plans" (CMP), which specify the main risks to which the company is exposed, the protocols for responding to them and the company officers responsible for implementation.

This notwithstanding, when a threat is identified that requires action on a corporate level (see section E.4), the persons responsible for risk control and management in the corresponding unit inform the Risks Committee of the situation, proposing such mitigation measures as may be considered adequate. The Risks Committee assesses the situation and the sufficiency and suitability of the proposed mitigation measures, supplementing them with additional measures should it deem fit.

The measures to control, reduce and, as the case may be, mitigate the risks are established according to the following basic criteria:

- They shall seek to neutralise the risk detected, maintaining coherence between the importance of the risk and the cost and means required to neutralise it.
- If neutralisation is not feasible, measures shall be designed to reduce the potential economic consequences, if possible to within tolerance levels.
- The management and control shall, as far as possible, forestall rather than remedy.
- The control mechanisms shall adequately separate management and oversight.
- The different people responsible for risk management shall coordinate their actions to be efficient, seeking the utmost integration between control systems.
- Maximum transparency shall be ensured in the identification and assessment of risks, specification and implementation of mitigation measures and assessment of the results of those measures.
- Compliance must be guaranteed with the internal reporting requirements to the bodies responsible for supervision and control.

F FINANCIAL REPORTING INTERNAL RISK CONTROL AND MANAGEMENT SYSTEM (FRICS)

Describe the mechanisms comprising the financial reporting internal control and risk management systems (FRICS) of your company

F.1 Control environment

Report on at least the following, describing their principal features:

F.1.1 What bodies and/or duties are responsible for: (i) the existence and maintenance of an adequate and effective FRICS; (ii) its implementation; and (iii) its oversight?

As established in its Regulations, the Board of Directors is ultimately responsible for the existence, maintenance and oversight of an adequate, effective financial reporting internal control system (FRICS).

The Audit and Compliance Committee is responsible for: (i) supervising and promoting the procedures and systems used to prepare and control the company's financial reporting; (ii) checking any public financial reporting; and (iii) ensuring implementation of and compliance with the internal regulations and codes applicable to the risk control and management systems in relation to the financial reporting process.

The Management Committee is responsible for the design, implementation and functioning of the FRICS through the Group Finance Department and the Finance Departments of the different business units. The different general managements are responsible for effective implementation of these systems within their respective areas of activity. There are also officers responsible for the different processes documented within the FRICS, who must ensure that those processes are kept up to date, informing the Risks Committee, through the finance department and general management of the corresponding business unit, of any modifications or adaptations required.

The Risks Committee, reporting to the Audit and Compliance Committee, is specifically responsible for coordinating and monitoring the system for control and management of risks, including tax risks, and controlling the Group's financial reporting.

F.1.2 State whether the following elements exist, especially in respect of the financial reporting process:

- Departments and/or mechanisms responsible for: (i) designing and reviewing the organisational structure; (ii) clearly defining the lines of responsibility and authority, with an adequate distribution of tasks and duties; and (iii) ensuring that there are sufficient procedures for adequately informing the company.

As established in its Regulations, the board is responsible for defining the general strategy and guidelines for management of the company and encouraging and supervising the actions taken by the senior officers, establishing an organisational structure that will guarantee the utmost efficiency of the senior management and the management team in general.

According to the Regulations of the Board, the Nomination and Remuneration Committee is responsible for checking the criteria followed regarding the composition and structure of the board and for selecting candidates for the board. It also nominates the chairman, CEO or managing directors and secretary of the board and proposes the assignment of directors to the different board committees, the members of the Management Committee and any other advisory committees that the board may create.

In turn, under the policies approved by the Board, the Nomination and Remuneration Committee supervises the Senior Management of the group, both in appointments and removals and in assessing the senior executive remuneration and incentives policy.

Within each group company, the organisational structure of the units participating in the preparation of financial reporting depends on several factors, such as the volume of operations or type of business, but in all cases it corresponds to the need to cover the main duties of recording, preparing, checking and reporting the operations performed and the economic and financial position of the company. The executive directors and management of Ebro Foods participate actively in the management committees of the group's subsidiaries, thereby guaranteeing direct communication through the lines of responsibility and authority.

The senior management and the human resources departments of the Group and each of the subsidiaries are responsible for designing the organisational structure according to local needs, the most important subsidiaries having a formal definition through organisation charts, which include a description of the duties and responsibilities of the main areas participating in internal control of financial reporting.

The different job descriptions of positions and responsibilities are maintained by the human resources department of each subsidiary and the managements of all the subsidiaries, especially the financial managements, are informed of any new member of a subsidiary.

- Code of conduct, body responsible for its approval, degree of publicity and instruction, principles and values included (stating whether there is any specific mention of the recording of transactions and preparation of financial reporting), body responsible for analysing default and proposing corrective measures and penalties.

The Code of Conduct of the Ebro Group, an update of the earlier Codes of Ethics and Conduct drawn up by the Ebro Foods Group in 2003, 2008 and 2012, was approved by the board on 25 November 2015 and all levels of the organisation were notified.

The Code of Conduct provides guidance on how to act in the Group's internal and external relationships, strengthening the values that distinguish us and establishing a basic reference to be followed by the Group.

The Code aims to:

- Be a formal, institutional reference for personal and professional conduct.
- Guarantee the responsible, ethical behaviour of all the Group's professionals in their work.
- Reduce the element of subjectivity in personal interpretations of moral and ethical principles.
- Create a standardisation tool to guarantee progressive implementation throughout the Group of the ten principles of the UN Global Compact.
- Grow responsibly and committed to all our stakeholders.

As established in the Code of Conduct, the Group assumes a principle of conduct based on transparent reporting, consisting of an undertaking to report reliable financial, accounting or other information to the markets. Accordingly, the company's internal and external financial reporting will give a true and fair view of its real economic, financial and equity situation according to generally accepted accounting principles.

Employees formally sign the Code of Conduct when they join the workforce of most Group companies and all new Group employees during the year were informed of and given a copy of the Code.

The Code of Conduct is published in the Intranet, where it can be consulted by any employee, and on the Group's website.

The Audit and Compliance Committee is responsible for monitoring and controlling application of the Code. The Compliance Unit, which has sufficient initiative, autonomy and resources, is responsible, among other duties, for assisting the Audit and Compliance Committee in the supervision of compliance, publication and interpretation of the Code of Conduct.

The Audit and Compliance Committee has an e-mail address to which any Group employee may send queries and suggestions regarding the interpretation of the Code of Conduct.

The Audit and Compliance Committee reports regularly to the Group's Board of Directors on any queries raised in respect of the interpretation and application of the Code of Conduct, how they have been solved and, where appropriate, the interpretation criteria followed.

The Code of Conduct provides that any violation or breach of the Code that is classified as a labour offence shall be penalised according to the labour laws, without prejudice to any other liability that the infringer may incur and the remedial measures that may be established by the different Group companies in pursuance of prevailing laws. On a Group level, the Audit and Compliance Committee, assisted by the Compliance Unit, shall receive reports of any violation of the Code of Conduct and act accordingly.

- Whistleblowing channel, through which the audit committee can be informed of any financial or accounting irregularities, any breaches of the code of conduct and irregular activities within the organisation, indicating whether this channel is confidential.

As established in the Regulations of the Board, the Audit and Compliance Committee is formally responsible for implementing a confidential whistle-blowing channel accessible to all Group employees and defining a protocol for prioritising, processing, investigating and settling reports according to their importance and nature, especially any concerning possible financial or accounting misrepresentations.

For this purpose, the Ebro Group has established a whistle-blowing or reporting channel, through its Code of Conduct, through which any irregular conduct in financial, accounting or other areas and any breach of the code of conduct can be reported confidentially.

The Audit and Compliance Committee has a specific e-mail address through which any employees may report whatever conduct they may consider necessary and contact the Audit and Compliance Committee to inform on breaches of the code of conduct. Access to that e-mail account, technologically protected to prevent any unauthorised access, is limited exclusively to the Chairman of the Audit and Compliance Committee who, as an independent director, has no relationship with the management structure of the Group.

The Audit and Compliance Committee guarantees the confidentiality of the reports handled, according to a confidentiality commitment signed by all those involved in handling the reports and other

precautions included in the "Report Handling Protocol". That protocol, approved by the Audit and Compliance Committee in 2012, establishes the procedure to be followed on receiving reports, regarding their processing, prioritising, solving and notification.

- Training programmes and regular updates for employees involved in the preparation and checking of financial information and evaluation by the FRICS, covering at least accounting and auditing standards, internal control and risk management.

The Ebro Group has a policy of making sure it has personnel with sufficient training and experience to perform the duties and responsibilities assigned to them. The Ebro employees involved in the preparation and checking of the financial information and FRICS evaluation participate in training and refresher courses regarding the laws and standards in place from time to time and good practices to guarantee the reliability of the financial information generated.

The Ebro Group also encourages and provides means and resources for its employees to keep their accounting knowledge up to date through the attendance of seminars, on-line information and other means and regular meetings are held with the external auditors to assess in advance the standards in place or those about to enter into force.

During the year the Ebro Group has focused its training for personnel involved in the preparation and checking of financial information and FRICS evaluation on the following aspects:

- Accounting updates
- Management and control of costs for business decision-making
- Training in the tax laws in different countries
- Financial reporting internal control system manual

In addition, the external auditors of the company and its group regularly attend the meetings of the Audit and Compliance Committee to give training on the principal novelties in accounting and auditing, especially those that have or may have a greater effect on the Group's accounts.

F.2 Measurement of risks in financial reporting

Report at least on:

F.2.1 What are the main features of the risk identification process, including risks of error or fraud, in respect of:

- Whether the process exists and is documented.

Within the risk control and management policy approved by the Board, the financial reporting internal control system is supervised by the Audit and Compliance Committee, assisted by the Risks Committee and the Group Finance Department.

The potential risk events that could affect the organisation are identified and assessed through the FRICS, pinpointing and assessing the risks corresponding to each line of business. Through this risk control and management system, the Ebro Group has drawn up a consolidated risk map by compiling and combining the risk maps of its major subsidiaries.

This process is coordinated by the Risks Committee, which manages and establishes the permitted tolerance to the risk and coordinates actions to align the measures addressing risks with the Group's global risk policy so that the exposure to risk assumed by the Ebro Group overall is known at all times.

Based on the results obtained, systems are devised for addressing risks and internal control, to keep the likelihood and impact of those risks on financial reporting within the tolerance levels, thereby providing reasonable certainty regarding achievement of the strategic business goals.

- Whether the process covers all the financial reporting objectives (existence and occurrence; integrity; measurement; presentation, breakdown and comparison; and rights and obligations); whether it is updated and how often.

The Ebro Group has established a continuous improvement process to minimise the risks related with financial reporting, improving the design and effectiveness of existing controls.

For this purpose, it has a process identifying the risks affecting the reliability of financial reporting, based on and beginning with a definition of the scope, according to quantitative criteria of materiality in respect of the consolidated amounts and other qualitative criteria (error, fraud, uncommon transactions, etc.). Companies in the major business units or divisions that meet any of the afore-mentioned criteria and the material accounting items of each one are defined according to those criteria. Once the material items have been defined on a company level, the processes and sub-processes they affect are established, according to a relationship matrix.

For each of the sub-processes included within the scope, the inherent risks are identified and the checks made by the responsible persons to mitigate those risks are defined, setting this information down in a Risks-Controls Matrix. Those risks take account of all the financial reporting objectives (existence and occurrence; integrity; measurement; presentation, breakdown and comparison; and rights and obligations).

The financial reporting risks are identified in the Ebro Group's Risks-Controls Matrix and updated to take account of any changes in the scope of consolidation of the Group or development of its business and their reflection in the financial statements, making a comparative analysis every year of the variations in material processes and sub-processes to establish any risks that have not been previously identified.

- The existence of a process for defining the scope of consolidation, taking into account, among other aspects, the possible existence of complex corporate structures, base companies or special purpose vehicles.

The Ebro Group has a documented process based on internal regulations that guarantees the correct identification of the scope of consolidation through an adequate separation of duties in the requesting, authorising, reporting and recording of any operation entailing the incorporation, merger, division, acquisition or sale of companies and any other corporate operation, directly involving the legal department and the board.

This process considers the possible existence of complex corporate structures, base companies or special purpose vehicles, among other means by establishing an adequate structure to separate the duties of requesting, authorising and reporting for any corporate operation within the Group. No transactions or complex corporate structures that might entail off-balance sheet transactions which should be recorded within the reporting period were identified this year.

- Whether the process takes into account the effects of other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they affect the financial statements.

The Risk Control and Management System of the Ebro Group is designed to identify potential risk events that might affect the organisation. At present there are four types of risks: Operating, Compliance, Strategic and Financial risks, and the conclusions are taken into account insofar as the risks may affect financial reporting. For this purpose, the Risks Committee acts as a unit of coordination and interrelation of the effect of the risks detected on the different areas (management, business, financial reporting, legal, reputational etc. risks).

- Which governing body of the company supervises the process.

While the Board has the power, which it may not delegate, to determine the policy for control and management of risks, including tax risks, and supervision of the FRICS, the Audit and Compliance Committee is responsible for supervising and promoting the procedures and systems used to prepare and control the company's financial reporting, and controlling the implementation of and compliance with the risk control and management systems, both in general and in respect of the financial reporting process.

F.3 Control activities

Inform whether the company has at least the following, describing their main features:

- F.3.1 Procedures for checking and authorising financial information to be published on the stock markets and description of the FRICS, indicating who is responsible for these tasks and documentation describing the flows of activities and controls (including those checking for the risk of fraud) in the different types of transactions that may have a material effect on the financial statements, including the procedure for closing of accounts and the specific review of judgements, estimates, valuations and significant projections.

The priorities established within the Ebro Group include the quality and reliability of the financial information, both internal information for decision-making and external information published on the markets. The information to be provided by the different units is requested by the Group financial department, paying special attention to the processes of closing the accounts, consolidation, measurement of intangibles and areas subject to judgement and estimates.

The Ebro Group has procedures for checking and authorising the financial information and description of the FRICS, responsibility for which corresponds to the Financial Department, the Risks Committee, the Audit and Compliance Committee and the Board.

The Audit and Compliance Committee checks and analyses the financial statements and any other important financial information, as well as the principal judgements, estimates and projections included and discusses

them with the corporate financial department and the internal and external auditors to confirm that the information is complete and the principles applied are consistent with those of the previous full-year accounts.

The procedure for checking and authorising the financial information corresponds to the Group financial department, based on the information checked and validated by the different units. The Audit and Compliance Committee supervises this information to be published on the market and it is approved by the Board.

The Group has implemented an improvement process to increase the documentation and make the generation of financial information and its subsequent supervision more effective and efficient.

The significant processes involved in the generation of the Group financial reporting are documented based on the COSO internal control model. The main processes documented are:

- Closing of Financial Statements and Reporting
- Consolidation
- Sales and Receivables
- Purchases and Payables
- Fixed Assets
- Inventories
- Payroll

The documentation outline is extended progressively, according to the materiality and the general criteria established in the Group's financial reporting internal control system.

The persons responsible for each of the documented processes in each subsidiary have been identified. They are responsible for keeping those processes up to date on an annual basis, reporting any modifications or adaptations to the Risks Committee through the Group's financial department.

Process documentation includes details of the flows and transactions and the financial reporting objectives and controls established to ensure they are met. It also contemplates the risks of error and/or fraud that might affect the financial reporting objectives. The documentation of flows of activities and controls that may have a material effect on the financial statements, including the accounts closing procedure, includes the preparation of narratives on the processes, flow charts and risk and control matrices. The controls identified are both preventive and detective, manual or automatic, describing also their frequency and associated information systems.

F.3.2 Internal control procedures and policies for the IT systems (including access security, track changes, operation, operating continuity and separation of duties) used for the significant processes of the company in the preparation and publication of financial information.

The Group has rules of action for managing financial information security. Those rules are applicable to the systems used to generate financial information and the IT Department is responsible for defining and proposing the security policies.

Within its policies and infrastructure management the Ebro Group has procedures to secure each of the following points:

i) Both physical and logical access are controlled to ensure that only authorised internal and external personnel can access the Ebro centres and systems. Ebro has several Data Centres, the main one in Spain where the company's critical systems are housed. The major subsidiaries also have local data centres. They all have their own infrastructure to guarantee adequate control of access to the installations. In small subsidiaries, the general rule is to have external service providers to provide that security. When external service providers are used, the Ebro Group makes internal audits of the information systems and their architecture, including the security aspect.

Logical access control is secured with efficient management of access to our systems, whether internal or external, and through a user management coordinated with the human resources department and the company's group of managers. Ebro has user access control systems and workflow tools to guarantee inter-departmental integration and efficient updating of user status, regularly identifying those who no longer access the systems. Ebro Foods will shortly begin a global Duties Separation project, within its corporate risk control policy.

External access is guaranteed through specific users and controlled management. The necessary elements have also been provided on a network level to ensure that only authorised users and processes have access from outside.

ii) The larger subsidiaries mainly use the ERP system called SAP. In all those cases, Ebro has procedures underpinned by systems in which production changes are systematically filtered and assessed, their life cycle managed, and disseminated after acceptance by specific users and impact analysis in the systems currently used in production.

iii) The separation of duties is underpinned by the use of roles by groups of users, which allow access only to the information and transactions previously approved by the organisation. The modification or creation of new roles is backed by the same procedure that guarantees management of the user life cycle and is applicable to the major companies of the Ebro Group. Special attention is paid to separation in IT support processes to make sure that the tasks of development, sending to production and administration of the system are duly separated.

iv) Ebro has internal tools which, combined with the user support departments and systems (Help Desks), guarantee the management and traceability of incidents in the IT systems. Programme changes are managed within that system, which is based on ITIL best practices and management.

The critical information systems are always housed in our data centres and there are individuals assigned to each one who are responsible for proactive monitoring of the automatic processes and proactive assessment of the yield and functioning of the systems.

Ebro has global contracts with security control tool providers, which guarantee the installation of such tools in all the computer and data processing equipment used in the company.

v) Ebro has tools to guarantee the continuity of business support by its IT systems in the event of a fatal error or system crash. There are backup systems and policies in its data centres that guarantee access to information and systems in case of a crash. The use of tape or disk backups and replicating the information in several computers with subsequent triangular distribution are habitual procedures for making incremental or complete backup copies. The current systems allow recovery of the information up to the specific time of the fatal error or system crash.

F.3.3 Internal control procedures and policies to oversee the management of outsourced activities and any aspects of valuation, calculation or measurement commissioned to independent experts, which may have a material impact on the financial statements

In general, the Ebro Group manages all activities that may have a material impact on the reliability of the financial statements directly using internal resources to avoid outsourcing. There are very few outsourced activities and the procedures and controls of those activities are regulated in the contracts signed with the service providers in question.

The valuation, calculation or measurement activities commissioned by the Ebro Group to independent experts are mainly concerned with the appraisal of properties, actuarial studies of commitments to employees and impairment testing of intangibles.

Only service providers of internationally recognised standing are used for these valuation reports, making sure that they are not affected by any circumstance or event that could compromise their independence.

The reports obtained from these firms are submitted to internal review to check that the most significant assumptions and hypotheses used are correct and that they comply with the International Valuation Standards (IVS) and International Financial Reporting Standards (IFRS). Furthermore, the valuation processes and the hypotheses and assumptions used by independent experts are reported to and considered by the external auditors of the company and its group.

F.4 Information and communication

Inform whether the company has at least the following, describing their main features:

F.4.1 A specific department responsible for defining the accounting policies and keeping them up to date (accounting policy department or division) and solving queries or conflicts deriving from their interpretation, maintaining fluent communication with those responsible for operations in the organisation, as well as an updated accounting policy manual distributed among the units through which the company operates.

The Ebro Group has adequate procedures and mechanisms to put the applicable criteria across to the employees involved in the preparation of financial information and the IT systems used in that preparation. This is done through the Management Control Unit and the Corporate Financial Department, whose powers include the following, among others:

- Define, administer, update and report on the Group's accounting policies, in compliance with the applicable accounting standards and rules of consolidation for the preparation and presentation of financial information to be disclosed.
- Prepare, update and report on the Accounting Policy Manual to be applied by all financial units in the Group. This manual is updated annually.
- Settle any queries or conflicts regarding the interpretation and application of the accounting policies, maintaining fluent communication with those responsible for these operations in the organisation.
- Define and create templates, formats and criteria to be used for preparing and reporting the financial information. All financial information distributed on the markets is prepared by consolidating the reports of the different business units, prepared using mechanisms for data input, preparation and presentation that are homogenous for the entire Group. These mechanisms are designed to enable compliance with the standards applicable to the principal financial statements, including accounting criteria, valuation rules and presentation formats and embrace not only the balance sheet, profit and loss account, statement of changes in equity and statement of cash flows, but also the obtaining of other information that is necessary to prepare the notes to the financial statements.

F.4.2 Mechanisms for collecting and preparing financial information with homogenous formats, applied and used by all business units in the company or group, valid for the main financial statements and notes, and the information given on the FRICS

The Group's financial information is prepared using a process of aggregating separate financial statements at source for subsequent consolidation according to the applicable accounting and consolidation standards, to obtain the consolidated financial information to be presented monthly to the Board and published on the markets.

The process of aggregation and consolidation of the Group's financial statements is based on homogenous, common format templates that include different tables and reports to be completed. They also have automatic internal controls to check the integrity and reasonability of the data input.

These templates are validated each month by a financial manager in each subsidiary before sending them for checking and consolidation. To complete the automatic checks, those data and the estimation, valuation and calculation principles used to obtain them, as well as the accounts closing procedure, are checked by the financial manager at each level of aggregation and consolidation until the Ebro Group consolidated financial information is obtained, prepared and checked by the corporate financial department.

The Ebro Group has established a reporting system for the Financial Reporting Internal Control System, which is available in the Group for all the subsidiaries included within the scope of the FRICS. Through that reporting, the management of the parent coordinates maintenance of the system in the rest of the subsidiaries annually through the assignment of persons responsible for their maintenance and updating in the event of any significant change to be taken into consideration in the documentation. Finally, if any weaknesses are detected in the financial reporting internal control system, the subsidiaries are notified of the necessary action plans and they are monitored by management of the parent.

F.5 Supervision of the functioning of the system

Inform on at least the following, describing their main features:

- F.5.1 The FRICS supervisory activities performed by the Audit Committee and whether the company has an internal audit department responsible, among its duties, for assisting the committee in its supervision of the internal control system, including the financial reporting internal control system (FRICS). Inform also on the scope of the FRICS appraisal made during the year and the procedure through which the department or body responsible for the appraisal informs on the outcome, whether the company has an action plan defining any possible corrective measures and whether their impact on the financial information has been considered.

The board is ultimately responsible for the existence, maintenance and supervision of an adequate, effective financial reporting internal control system. Among the duties defined in the Regulations of the Board, the Audit and Compliance Committee assists and supports the board in its supervision of the accounting and financial information, the internal and external audit services and corporate governance.

The Audit and Compliance Committee, assisted by the Risks Committee, must see that the internal audit procedures, the internal control systems in general, including the risk management control system and, in particular, the financial reporting internal control system, are adequate. The Audit and Compliance Committee also ensures that the external auditor and manager of the internal audit department are selected on the basis of objective, professional qualifications, guaranteeing their independence in the performance of their duties; reports to the board on any related party transactions submitted for its consideration; controls any possible conflicts of interest; and, in general, makes sure that all the company's information and reporting, particularly financial, complies with the principle of truth and maximum transparency for shareholders and markets.

The Risks Committee, as the central control system, monitors adequate fulfilment by the risk officers of the respective units of the following duties: (i) monitoring, updating and review of the business risks map and the different financial reporting processes; (ii) compliance with the reporting protocols for business risks and financial information; (iii) assessment of the measures for mitigating and controlling any risks detected, and (iv) assessment of the effectiveness of the systems and controls by testing processes indicated by the Risks Committee, assisted by the heads of the different units and, where necessary, external advisers. The Risks Committee, based on the policy established by the Board and supervised by and reporting to the Audit Committee, is specifically responsible for coordinating and monitoring the risks control and management system, including tax risks, and checking the Group's financial information.

Within the business risks control and FRICS, the internal audit department makes sure that the testing and control of risk management and financial reporting systems have been done properly, within the internal audits carried out on different subsidiaries during the year, according to the Internal Audit Plan.

The internal audit department has submitted its annual working plan to the Audit and Compliance Committee and reported directly to said committee on any incidents detected in the performance of that work, proposing the corresponding action plan defining any necessary corrective measures; and at the end of each year, it has submitted an activity report.

The results of checks made by the internal audit department and any incidents detected by the Risks Committee have been reported to the Audit and Compliance Committee. Moreover, the action plan devised for remedying those incidents has been sent to both the person responsible for remedying them and the Audit and Compliance Committee.

- 7.5.2 Inform on whether the company has a discussion procedure whereby the auditor (according to the provisions of the auditing standards), the internal audit department and other experts can inform the senior management and audit committee or company directors of any significant weaknesses detected in internal control during the auditing or checking of the annual accounts or any other processes commissioned to them. Indicate also whether the company has an action plan to remedy or mitigate the weaknesses observed.

The Audit and Compliance Committee has a stable, professional relationship with the external auditors of the principal companies in its group, strictly respecting their independence. That relationship favours communication and discussion of any internal control weaknesses pinpointed during the auditing of annual accounts or any other audit work commissioned to them.

In this regard, the Audit and Compliance Committee receives information from the external auditor at least every six months on the audit plan and outcome of its performance, and checks that the senior management heeds the auditor's recommendations.

In addition, as established in the Regulations of the Board, it is responsible for overseeing the Internal Audit Services, examining the financial reporting process and internal control systems.

During 2016, the External Auditor attended 5 meetings of the Audit and Compliance Committee and the Internal Auditor attended 7 meetings.

F.6 Other significant information

N/A

F.7 External auditor's report

Inform on:

- 7.7.1 Whether the FRICS information sent to the markets was checked by the external auditor, in which case the company should include the corresponding report in an annex. If not, why not.

The report issued by the external auditor is appended hereto.

G EXTENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of compliance by the company with the recommendations of the Unified Good Governance Code.

If any recommendation is not followed or is only partly followed, include a detailed explanation of the reasons so that shareholders, investors and the market in general have sufficient information to assess the company's actions. General explanations are not acceptable.

1. The Articles of Association of listed companies should not limit the maximum number of votes that may be cast by an individual shareholder or impose other restrictions hampering takeover of the company via the market acquisition of its shares.

Complies Explanation

2. When both the parent company and a subsidiary are listed, they should both publish a document specifying exactly:

- a) The types of activity they are respectively engaged in and any business dealings between them, and between the listed subsidiary and other group companies;
b) The mechanisms in place to solve any conflicts of interest.

Complies Partial compliance Explanation Not applicable

3. During the annual general meeting, to supplement the written distribution of the annual corporate governance report, the chairman of the board should inform the shareholders orally, in sufficient detail, of the most important aspects of the company's corporate governance, especially:

- a) Any changes made since the previous annual general meeting.
b) The specific reasons why the company does not follow any of the recommendations of the Code of Corporate Governance and the alternative rules applied, if any.

Complies Partial compliance Explanation

4. The company should define and promote a policy of communication and contacts with shareholder, institutional investors and proxy advisors that fully respects the laws against market abuse and gives similar treatment to shareholders who are in the same position.

And the company should publish that policy on its website, including information on how it has been implemented, naming those responsible for such implementation.

Complies Partial compliance Explanation

5. The board should not table a motion at the general meeting for delegating powers to issue shares or convertible securities excluding the preferential subscription right in a sum of more than 20% of the capital at the time of the delegation.

And when the board approves an issue of shares or convertible securities excluding the preferential subscription right, the company should immediately publish on its website the reports on that exclusion required by commercial law.

Complies Partial compliance Explanation

6. Listed companies that prepare the following reports, whether mandatory or voluntary, should publish them on their websites sufficiently in advance of the annual general meeting even though that publication is not compulsory:

- a) Report on the independence of the auditor.
- b) Reports on the functioning of the audit committee and the nomination and remuneration committee.
- c) Report by the audit committee on related party transactions.
- d) Report on the corporate social responsibility policy.

Complies Partial compliance Explanation

All the sections of this Recommendation are met, except c).

Although the Audit and Compliance Committee checks that all the related party transactions with controlling shareholders and directors have been made at market prices and on arm's length terms and issues a favourable report to the Board, after studying this Recommendation the company does not consider it convenient to publish the contents of that report because it contains sensitive commercial information that is confidential for the Group in respect of its rivals.

7. The company should broadcast general meetings live, through its website.

Complies Explanation

General meetings of shareholders of Ebro Foods S.A. are not broadcast live through the corporate website owing to the size and capitalisation of the company.

Furthermore, considering the little use made of the technical means intended to increase shareholders' participation at general meetings (such as the shareholders' forum or electronic voting and proxies) and the ample quorum at general meetings (75.79% at the last AGM held on 1 June 2016), the company considers it unnecessary at present to invest economic resources in the live broadcasting of general meetings.

All information on what happens at the general meeting is subsequently published on the corporate website, where it is fully available, downloadable and easy to access, with no limitations or restrictions of any nature.

The company has studied this Recommendation and for the time being does not contemplate live broadcasting of the AGM to be held in 2017, considering that its general meetings comply with the principles of transparency and adequate information recommended by the Code of Good Governance.

8. The audit committee should make sure that the board endeavours to avoid a qualified auditor's report on the accounts laid before the general meeting, and in exceptional circumstances when such qualifications exist, both the chairman of the audit committee and the auditors shall clearly explain to the shareholders their content and scope.

Complies Partial compliance Explanation

9. The company should publish permanently on its website the requirements and procedures it will accept as proof of ownership of shares, right to attend the general meeting and exercise or delegation of shareholders' voting right.

And those requirements and procedures should favour the attendance and exercise by shareholders of their rights, not being in any way discriminatory.

Complies Partial compliance Explanation

10. If a legitimate shareholder has exercised their right, prior to the general meeting, to supplement the agenda or submit new proposed resolutions, the company should:

- a) Immediately distribute those supplementary items and new proposed resolutions.
- b) Publish the model attendance card or proxy form or postal/electronic voting form with the necessary modifications to enable voting on the new items on the agenda and alternative proposed resolutions on the same terms as those proposed by the board of directors.
- c) Put all these items or alternative proposals to the vote and apply the same voting rules as those applicable to the proposals by the board, including in particular the presumptions or deductions regarding votes.
- d) After the general meeting, report the details of the voting on those supplementary items or alternative proposals.

Complies Partial compliance Explanation Not applicable

11. If the company plans to pay attendance fees for general meetings, it should establish in advance a general policy on those fees and that policy should be stable.

Complies Partial compliance Explanation Not applicable

12. The board should perform its duties with unity of purpose and independence of judgement, give the same treatment to all shareholders in the same position and be guided by the company's interests, namely the achievement of a profitable business sustainable in the long term, promote its continuity and maximise the economic value of the company.

And in its search for the company's interests, apart from respecting the laws and regulations and acting in good faith, ethically and with respect for generally accepted use and good practice, endeavour to reconcile the corporate interests with the legitimate interests of its employees, suppliers, customers and other stakeholders that may be affected, as the case may be, and the impact of the company's activities on the surrounding community and environment.

Complies Partial compliance Explanation

13. The Board should have the necessary size to operate effectively, with participation. The recommended size is, therefore, between five and fifteen members.

Complies Explanation

14. The board should approve a policy for selecting directors which:

- a) Is specific and verifiable.
- b) Ensures that nominations or proposals for re-election are based on a prior analysis of the board's needs.
- c) Favours the diversity of expertise, experience and gender.

The results of the prior analysis of the board's needs should be set out in the report by the nomination committee published when calling the general meeting at which the ratification, appointment or re-election of each director is proposed.

And the policy for selecting directors should promote the target that the number of female directors on the board should be equivalent to at least 30% of the total members of the board by 2020.

The nomination committee shall check compliance with the policy for selecting directors annually and inform on that check in the annual corporate governance report.

Complies Partial compliance Explanation

15. The proprietary and independent directors represent an ample majority of the board and the number of executive directors is the minimum necessary, taking account of the complexity of the corporate group and the percentage stake held by the executive directors in the company's capital.

Complies Partial compliance Explanation

16. The ratio of proprietary directors to total non-executive directors should not be greater than the ratio of capital represented by those directors to the rest of the capital.

This may be eased:

- a) In companies with a high capitalisation, in which shareholdings legally considered significant are scarce.
- b) In companies with a plurality of unrelated shareholders represented on the board.

Complies Explanation

17. The number of independent directors should represent at least one-half of the total directors.

This notwithstanding, if the company does not have a large capitalisation or if it has a high level of capitalisation but has one shareholder, or several acting in concert, that controls more than 30% of the capital, the number of independent directors should represent at least one-third of the total directors.

Complies Explanation

At year-end 2016, of the thirteen members of the board, four are independent and one is an "other non-executive" director.

The total number of independent directors rose from three to four when a new female independent director joined the board in July 2016. Independent directors thus account for 30.76% of the total thirteen directors.

Although the director classified as "other non-executive" performs his duties on the board and audit and compliance committee just like any other independent director, he cannot be classified as such because he has been a director of the company for a continuous period of over 12 years.

Following the resignation tendered as of 31 December 2016 by the director classified as "other non-executive", the board resolved on 25 January 2017 to appoint a new female independent director by cooptation, thus raising the number of independent directors on the board from four to five, representing 38.5% of the total thirteen members.

The number of independent directors was reduced to four again, of a total of twelve members, with one vacancy following the death in February 2017 of an independent director.

The company is aware of this situation and the Nomination and Remuneration Committee is currently working to propose an independent director to fill the vacancy caused by that death, whereupon the board will once again have five independent directors out of a total of thirteen board members.

18. Companies should publish on their websites and keep up to date the following information on their directors:

- a) Professional and biographic profile.
- b) Other directorships held, in listed or unlisted companies, and other remunerated activities performed, of whatsoever nature.
- c) Indication of the category of director, indicating for proprietary directors the shareholder they represent or with which they are related.
- d) Date of first appointment as director of the company and subsequent re-elections.
- e) Shares and stock options held in the company.

Complies Partial compliance Explanation

All the requirements of this Recommendation are met except b).

Although there is no specific section on the corporate website containing the information contemplated in paragraph b), the information on the directors of Ebro Foods, S.A., including directorships held in listed companies and positions and activities performed, remunerated or otherwise, in companies engaged in similar or identical activities as Ebro Foods, is set out in the annual accounts and corporate governance report each year published in the corresponding sections of the website.

After studying this Recommendation, the company considers that it informs on the directorships held in listed companies and positions and activities performed, remunerated or otherwise, in companies engaged in similar or identical activities as Ebro Foods, S.A. in sufficient detail to comply with the transparency in reporting sought by the Code of Good Governance.

19. Once checked by the nomination committee, the annual corporate governance report should include an explanation of the reasons why proprietary directors have been appointed at the request of shareholders with an interest of less than 3% in the capital, as well as the reasons, if appropriate, for not meeting formal requests for presence on the board from shareholders with an interest equal or greater than others at whose request proprietary directors have been appointed.

Complies Partial compliance Explanation Not applicable

20. Proprietary directors should resign when the shareholder they represent disposes of its entire shareholding in the company. They should also resign in the corresponding number when the shareholder disposes of part of its shares to an extent requiring a reduction in the number of proprietary directors.

Complies Partial compliance Explanation Not applicable

21. The Board should not propose the removal of any independent director before the end of the period for which they were appointed, unless there are just grounds for doing so, as appreciated by the Board subject to a report by the Nomination Committee. In particular, just grounds are deemed to exist when the director takes up new positions or contracts new obligations preventing them from dedicating the necessary time to performance of their duties on the board, or if they breach their duties or fall into any of the circumstances by virtue of which they would no longer be considered independent, according to the applicable legal provisions.

The removal of independent directors may also be proposed following takeover bids, mergers or other similar corporate operations entailing a change in the ownership structure of the company, when changes in the structure of the board are required by the principle of proportionality contemplated in Recommendation 16.

Complies Explanation

22. Companies should establish rules obliging directors to report and, if necessary, resign in any cases that may jeopardise the company's credit and reputation. In particular, directors should be obliged to inform the Board of any criminal proceedings brought against them and the subsequent development of the proceedings.

If a director is prosecuted or tried for any of the offences contemplated in company law, the Board should study the case as soon as possible and, in view of the specific circumstances, decide whether or not the director should remain in office. A reasoned account should be included in the Annual Corporate Governance Report.

Complies Partial compliance Explanation

23. All the directors should clearly express their opposition whenever they consider that any proposed decision submitted to the Board may go against corporate interests. The independent and other directors not affected by the potential conflict of interest should also do so when the decisions may be detrimental to shareholders not represented on the Board.

And when the Board adopts significant or reiterated decisions about which a director has expressed serious reservations, the latter should reach the appropriate conclusions and, if they opt to resign, explain the reasons in the letter contemplated in the following recommendation.

This recommendation also affects the Secretary of the Board, even if he or she is not a director.

Complies Partial compliance Explanation Not applicable

24. If a director resigns or retires from office on whatsoever grounds before the end of his or her term of office, they should explain the reasons in a letter sent to all the Board members. Regardless of whether the retirement is announced as a regulatory disclosure, the reason shall be indicated in the Annual Corporate Governance Report.

Complies Partial compliance Explanation Not applicable

25. The nomination committee should make sure that non-executive directors have sufficiently availability to perform their duties correctly.

And the regulations of the board should stipulate the maximum number of directorships that may be held by its directors.

Complies Partial compliance Explanation

Although the Regulations of the Board do not stipulate a maximum number of directorships that may be held by the directors of Ebro Foods, S.A., it does impose on the directors the obligation to dedicate to the company such attention and time as may be necessary to guarantee the effective and adequate fulfilment of each and all of the duties corresponding to their position. Consequently, the maximum number of other directorships they may hold will be such as to ensure that they are able at all times to meet each and all of their obligations to the company (Article 32 of the Regulations of the Board, "General duties of directors").

After studying this Recommendation, the company considers that the principles pursued by the Code of Good Governance in this respect are met with the obligation regarding dedication imposed in Article 32 of the Regulations of the Board.

26. The Board should meet as often as may be necessary to secure efficient performance of its duties, following the calendar and business established at the beginning of the year, although any director may individually propose other items not initially contemplated to be included on the agenda.

Complies Partial compliance Explanation

27. Non-attendance of Board meetings should be limited to inevitable cases and stated in the Annual Corporate Governance Report. If a director is forced to miss a Board meeting, a proxy should be granted with the appropriate instructions.

Complies Partial compliance Explanation

28. When the Directors or the Secretary express concern over a proposal, or, in the case of Directors, the company's performance, and those concerns are not settled by the board, they should be put on record, at the request of those expressing them.

Complies Partial compliance Explanation Not applicable

29. The company should establish adequate channels for directors to obtain any counselling they may need to perform their duties, including, should circumstances so require, external counselling at the company's expense.

Complies Partial compliance Explanation

30. Regardless of the expertise required of directors to perform their duties, companies should also offer their directors refresher courses in the appropriate circumstances.

Complies Explanation Not applicable

31. The agenda for meetings should clearly indicate the items on which the board is called upon to adopt a decision or resolution, so that the directors can study or obtain in advance the information they may need.

In exceptional cases, for reasons of urgency, the chairman may submit decisions or resolutions not included on the agenda for approval by the board, the prior, express consent of most of the directors present will be necessary, putting this on record in the minutes.

Complies Partial compliance Explanation

32. Directors shall be regularly informed on any changes in the ownership of the company and the opinion held by the controlling shareholders, investors and ratings agencies of the company and its group.

Complies Partial compliance Explanation

33. Being responsible for the efficient functioning of the board of directors, apart from performing the duties assigned by law and in the articles of association, the chairman should prepare and submit to the board a schedule of dates and business to be transacted; organise and coordinate the periodical assessment of the board and chief executive, if any, of the company; be responsible for managing the board and for its efficient operation; make sure sufficient time is allotted to the discussion of strategic issues; and resolve and review the refresher programmes for each director whenever circumstances so require.

Complies Partial compliance Explanation

34. When there is a lead independent director, the articles of association or regulations of the board should assign the following powers, apart from those corresponding to them by law: preside over board meetings in the absence of the chairman and vice-chairmen, if any; echo the concerns of non-executive directors; hold contacts with

investors and shareholders to find out their points of view and form an opinion on their concerns, particularly regarding the corporate governance of the company; and coordinate the plan for succession of the chairman.

Complies Partial compliance Explanation Not applicable

Although the articles of association and regulations of the board do not expressly assign to the lead independent director the powers contemplated in this Recommendation, said director is entirely free to exercise them.

The articles of association and regulations of the board do not establish any limit on the exercise of those powers by the lead independent director or any other director.

After studying this Recommendation, the company considers that since any director, not only the lead independent director, may exercise the powers contemplated in this Recommendation, and since the chairman is the only one of thirteen directors who has executive duties, this is sufficient to avoid any concentration of powers in the executive chairman, as sought by the Code of Good Governance.

35. The secretary of the board should especially ensure that the actions and decisions of the board follow the recommendations on good governance contained in the Code of Good Governance that are applicable to the company.

Complies Explanation

36. The full Board should assess once a year and, where necessary, adopt an action plan to correct any deficiencies detected in respect of:

- a) The quality and effectiveness of the Board's actions.
- b) The functioning and composition of its committees.
- c) Diversity in the composition and powers of the Board.
- d) The performance by the Chairman of the Board and Chief Executive Officer of their respective duties;
- e) The performance and contribution of each director, paying special attention to the heads of the different board committees.

The different committees should be assessed based on the reports they submit to the Board and the Board will be assessed on the basis of the report it submits to the Nomination Committee.

Every three years, the Board will be assisted in this assessment by an external consultant, whose independence shall be checked by the Nomination Committee.

The business relations that the consultant or any company in its group has with the company or any company in its group should be described in the Annual Corporate Governance Report.

The process and areas assessed should also be described in the Annual Corporate Governance Report.

Complies Partial compliance Explanation

The company complies with this Recommendation, although in the annual assessment of the board, its committees and its executive chairman, the company has so far not sought assistance from external consultants.

The company has studied this Recommendation in respect of future years, considering that the Nomination and Remuneration Committee should assess and submit to the board its opinion on the convenience and need to engage external consultants.

37. When there is an Executive Committee, the balance between the different types of director should roughly mirror that of the Board and its secretary should be the Secretary of the Board.

Complies Partial compliance Explanation Not applicable

38. The Board should be informed at all times of the business transacted and decisions made by the Executive Committee and all Board members should receive a copy of the minutes of Executive Committee meetings.

Complies Explanation Not applicable

39. The members of the Audit Committee, especially its chairman, should be appointed on account of their expertise and experience in accounting, auditing or risk management, and most of those members should be independent directors.

Complies Partial compliance Explanation

40. Under the supervision of the Audit Committee, there should be an internal audit unit to see that the internal control and reporting systems work properly. This unit should report to the non-executive chairman of the Board or the chairman of the Audit Committee.

Complies Partial compliance Explanation

41. The head of the internal audit unit should submit its annual work programme to the Audit Committee, report directly any incidents that may arise during its fulfilment and submit an activity report at the end of each year

Complies Partial compliance Explanation Not applicable

42. In addition to those contemplated in law, the Audit Committee should have the following duties:

1. In connection with the internal control and reporting systems:

- a) Supervise the preparation and integrity of the company's, and where appropriate the group's, financial reporting, checking compliance with the legal requirements, adequate definition of the scope of consolidation and correct application of accounting principles.
- b) Oversee the independence and efficacy of the internal audit department; propose the nomination, appointment, re-appointment and removal of the chief audit officer; propose the budget for this department; approve its approach and working plans, making sure its activity focuses mainly on the material risks of the company; receive regular information on its activities; and check that the top management heeds the conclusions and recommendations set out in its reports.
- c) Establish and supervise a "whistle-blowing" procedure so employees can confidentially and, where appropriate, even anonymously report any potentially important irregularities they observe within the company, particularly in financial and accounting aspects.

2. In connection with the external auditors:

- a) Investigate the circumstances giving rise to resignation of any external auditor.
- b) Ensure that the remuneration of the external auditors for their work does not jeopardise their quality or independence.
- c) See that the company reports the change of auditor to the CNMV in a regulatory disclosure, attaching a declaration on the possible existence of disagreements with the outgoing auditor and the contents of those disagreements, if any.
- d) Make sure that the external auditors hold an annual meeting with the full board to inform on the work done and the evolution of the company's risks and accounting situation.
- e) Ensure that the company and external auditors respect the provisions in place on the provision of services other than auditing, limits on the concentration of the auditor's business and, in general, any other provisions regarding the independence of auditors.

Complies Partial compliance Explanation

43. The Audit Committee may call any employee or executive of the company into its meetings, even ordering their appearance without the presence of any other senior officer.

Complies Partial compliance Explanation

44. The Audit Committee should be informed on any corporate and structural operations that the company plans to make, so that it can analyse them and submit a preliminary report to the board on the economic terms and impact on accounts, and particularly on the exchange ratio proposed, if any.

Complies Partial compliance Explanation Not applicable

45. The risk control and management policy should identify at least:

- a) The different types of risk, financial and non-financial (including operational, technological, legal, social, environmental, political and reputational) to which the company is exposed, including contingent liabilities and other off-balance-sheet risks among the financial or economic risks.
- b) The risk level that the company considers acceptable.
- c) The measures contemplated to mitigate the impact of the risks identified, should they materialise.
- d) The internal control and reporting systems to be used to control and manage those risks, including contingent liabilities and other off-balance-sheet risks.

Complies Partial compliance Explanation

46. Under the direct supervision of the audit committee or, as the case may be, an ad hoc committee of the board, there should be an internal risk control and management role exercised by an internal unit or department of the company expressly having the following duties:

- a) See that the risk control and management systems work properly and, in particular, that all the major risks affecting the company are adequately identified, managed and quantified.
- b) Participate actively in the preparation of the risk strategy and in the major decisions on their management.
- c) See that the risk control and management systems adequately mitigate the risks within the policy defined by the board.

Complies Partial compliance Explanation

47. Companies should ensure that the members of the Nomination and Remuneration Committee -or the Nomination Committee and the Remuneration Committee, if they are separate- have adequate experience, skills and expertise for the duties they are to perform and that most of those members are independent directors.

Complies Partial compliance Explanation

All the members of the Nomination and Remuneration Committee have adequate experience, skills and expertise for their duties.

At 31 December 2016, the Nomination and Remuneration Committee of the company had four members, two of whom were proprietary directors and the other two were independent, including the chairman of the committee.

The company was aware of this situation and was working on including another independent director on this committee so that it would have five members, three of whom would be independent.

Following the death of one of the independent directors in this committee in February 2017, its composition was reduced to three members (two proprietary and one independent).

At the date of this report, the company is assessing the situation with a view to increasing the number of independent directors on this committee, once the vacancy on the board has been filled, foreseeably by an independent director.

48. Companies with a high level of capitalisation should have a separate nomination committee and remuneration committee.

Complies Explanation Not applicable

49. The nomination committee should consult the chairman of the board and the chief executive of the company, especially on matters referring to the executive directors.

And any director should be able to request the nomination committee to consider potential candidates to fill vacancies on the board, in case they were suitable in the committee's opinion.

Complies Partial compliance Explanation

50. The remuneration committee should perform its duties independently, having the following duties in addition to those assigned to it by law:

- a) Propose to the board the basic terms of contract of the senior executives.
- b) See that the remuneration policy established by the company is observed.

- c) Periodically review the remuneration policy applied to directors and senior executives, including the systems of payment with shares and their application, and ensure that their individual remuneration is in proportion to that paid to other directors and senior executives of the company.
- d) Ensure that any conflicts of interest that may arise do not jeopardise the independence of the external counselling provided to the committee.
- e) Check the information on the remuneration of directors and senior executives in the different corporate documents, including the annual report on directors' remuneration.

Complies Partial compliance Explanation

51. The remuneration committee should consult the chairman of the board and the chief executive of the company, especially on matters referring to the executive directors and senior executives.

Complies Partial compliance Explanation

52. The rules of composition and procedure of the supervision and control committees should be included in the regulations of the board and be coherent with those applicable to the committees required by law according to the foregoing recommendations, including the following:

- a) The members should be exclusively non-executive directors, most of them independent directors.
- b) They should be chaired by independent directors.
- c) The board should appoint the members of these committees on account of the expertise, skills and experience of the directors and the duties of each committee; and the committees should discuss its proposals and reports; and report on its activities at the first board meeting following their meetings, answering for the work done.
- d) The committees should be able to obtain external counselling whenever they may consider it necessary to perform their duties.
- e) Minutes should be issued of their meetings and made available to all directors.

Complies Partial compliance Explanation Not applicable

53. The supervision of compliance with the rules of corporate governance, internal codes of conduct and corporate social responsibility policy should be assigned to one or distributed among several committees of the board, which may be the audit committee, the nomination committee, the corporate social responsibility committee, if any, or an ad hoc committee that the board, exercising its powers of self-organisation, may decide to set up. These committees should specifically have the following minimum duties:

- a) Oversight of compliance with the internal codes of conduct and the company's corporate governance rules.
- b) Supervision of the strategy of communication and relations with investors and shareholders, including small and medium-sized shareholders.
- c) Periodical assessment of the adequacy of the company's corporate governance system to ensure that it fulfils its mission of promoting corporate interests and takes account of the legitimate interests of the other stakeholders, where appropriate.
- d) Review of the company's corporate responsibility policy, making sure that it is geared towards creating value.
- e) Monitoring of the corporate social responsibility strategy and practices and assessment of the degree of compliance.
- f) Supervision and assessment of the processes of relations with different stakeholders.
- g) Assessment of everything related with non-financial risks in the company, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordination of the reporting process for non-financial information and diversity, complying with the applicable legal provisions and international benchmark standards.

Complies Partial compliance Explanation

54. The corporate social responsibility policy should include the principles or commitments that the company voluntarily undertakes in its relationships with the different stakeholders and define at least the following:

- a) The corporate social responsibility goals and the development of supporting instruments.
- b) The corporate strategy related with sustainability, the environment and social issues.
- c) Specific practices in matters related with shareholders, employees, customers, suppliers, social issues, environment, diversity, tax responsibility, respect for human rights and prevention of unlawful conduct.
- d) The methods or systems for monitoring the results of applying the specific practices contemplated in the preceding paragraph, the associated risks and management thereof.
- e) The mechanisms for supervising non-financial risks, ethics and business conduct.
- f) The communication channels, participation and dialogue with stakeholders.
- g) Responsible communication practices to avoid manipulation of information and protect integrity and honour.

Complies Partial compliance Explanation

55. The company should inform, in a separate document or in the directors' report, on matters related with corporate social responsibility, using one of the internationally accepted methodologies.

Complies Partial compliance Explanation

56. The remuneration of directors should be high enough to attract and retain directors with the desired profiles and remunerate the dedication, qualification and responsibility required by their office, but should not so high as to jeopardise the independence of non-executive directors.

Complies Explanation

57. Variable remuneration linked to the company's yield and personal performance and the remuneration paid in shares, stock options, rights over shares or instruments indexed to the value of the share, and long-term savings systems such as pension plans, retirement schemes or other welfare systems, should be limited to executive directors.

The delivery of shares as remuneration to non-executive directors may be contemplated when it is conditional upon holding those shares until they retire from the board. This will not be applicable to any shares that the director may need to sell to pay the costs incurred in their acquisition.

Complies Partial compliance Explanation

58. For variable remunerations, the remuneration policies should establish the limits and technical precautions required to make sure those remunerations are linked to the professional performance of their beneficiaries and do not merely derive from general trends on the markets or in the company's sector of business or other similar circumstances.

In particular, the variable components of the remuneration should:

- a) Be linked to predetermined, measurable yield criteria, which consider the risk assumed to obtain a result.
- b) Promote the company's sustainability and include non-financial criteria that are adequate for the creation of long-term value, such as compliance with the internal rules and procedures of the company and its policies for the control and management of risks.
- c) Be based on a balance between meeting short, medium and long-term goals, permitting the remuneration of yield achieved through continuous performance over a sufficient period of time to appreciate their contribution to the sustainable creation of value, such that the elements for measuring that yield are not related only with one-off, occasional or extraordinary events.

Complies Partial compliance Explanation Not applicable

59. The payment of a significant part of the variable components of remuneration should be deferred for a minimum time that is sufficient to check that the yield conditions established above have actually been met:

Complies Partial compliance Explanation Not applicable

60. Earnings-linked remuneration should take account of any qualifications made in the report by the external auditors that may reduce those earnings.

Complies Partial compliance Explanation Not applicable

61. A significant percentage of the variable remuneration of executive directors should be linked to the delivery of shares or financial instruments indexed to their value.

Complies Partial compliance Explanation Not applicable

Of the two executive directors, only the chairman of the board, Antonio Hernández Callejas, receives remuneration for his executive duties. Heralianz Investing Group, S.L. does not receive any such remuneration, for the reasons explained elsewhere in this report.

The current variable remuneration systems of the executive director are described in the Annual Report on Directors' Remuneration 2016 and are linked to the achievement of pre-established measurable, quantifiable objectives related with personal performance and other financial or non-financial factors that promote the company's and group's long-term sustainability and profitability.

Although Article 22 of the Articles of Association contemplates the possibility that directors may receive remuneration in the form of shares, stock options or any other system of remuneration indexed to the price of the shares, the Board has not so far submitted this form of remuneration to approval by the general meeting, considering that the systems of variable remuneration of the executive director currently used are most appropriate for stimulating his motivation and personal performance, and his commitment to and relationship with the Group's interests.

After studying this Recommendation, the company considers that the current system for remuneration of the only executive director who receives remuneration for his executive duties (the chairman) is adequate for his professional talent and profile. The company also considers that this system incorporates the necessary mechanisms to avoid excessive exposure to risks and reward for unfavourable results, as recommended by the Code of Good Governance.

62. Once the shares, stock options or rights over shares corresponding to the remuneration systems have been distributed, the directors may not transfer the ownership of a number of shares equivalent to twice their annual fixed remuneration or exercise the stock options or rights until at least three years after being allotted those shares, options or rights.

This will not be applicable to any shares that the director may need to sell to pay the costs incurred in their acquisition.

Complies Partial compliance Explanation Not applicable

63. Contracts should include a clawback clause whereby the company may claim repayment of the variable components of remuneration when the amounts paid do not correspond to fulfilment of the conditions regarding yield or when paid on the basis of data subsequently proved to be misstated.

Complies Partial compliance Explanation Not applicable

64. Termination benefits should not exceed a specified amount equivalent to two years' total annual remuneration and should not be paid until the company has confirmed that the director has met the performance requirements established above.

Complies Partial compliance Explanation Not applicable

H OTHER INFORMATION OF INTEREST

1. If you consider there to be any important aspects regarding the corporate governance practices applied by your company or other companies in the group that have not been mentioned in this report, but which should be included to obtain more complete, reasoned information on the

corporate governance practices and structure in the company or group, describe them below and give a brief explanation.

2. This section may be used to include any other information, clarification or qualification relating to the previous sections of the report, provided it is relevant and not repetitive.

In particular, state whether the company is subject to any laws other than the laws of Spain on corporate governance and, if this is the case, include whatever information the company may be obliged to supply that differs from the information included in this report.

3. The company may also state whether it has voluntarily applied any international, sector-based or other codes of ethical principles or good practices. If so, it should name the code in question and the date of its accession.

EXPLANATORY NOTE ONE, CONCERNING THE CURRENT COMPOSITION OF THE BOARD OF DIRECTORS, THE CLASSIFICATION OF DIRECTORS AND THE PRESENCE OF WOMEN ON THE BOARD

A. The directors José Nieto de la Cierva and Eugenio Ruiz-Gálvez Priego tendered their resignations for professional reasons, with effect from 31 December 2016, in a letter addressed to the directors.

Juan Luis Gómez-Trenor Fos, representative of Empresas Comerciales e Industriales Valencianas, S.L.U. on the board of Ebro Foods, S.A., died in January 2017, and José Antonio Segurado García, lead independent director and member of the Executive Committee and Nomination and Remuneration Committee, died in February 2017.

B. At the date of this report, after the afore-mentioned variations produced since 31 December 2016, the composition of the board is as follows:

- Antonio Hernández Callejas, Chairman (Executive director)
- Demetrio Carceller Arce, Vice-Chairman (Proprietary director)
- Alimentos y Aceites, S.A., represented by Concepción Ordiz Fuertes (Proprietary director)
- Belén Barreiro Pérez-Pardo (Independent director). She was appointed by cooptation on 25 January 2017 to fill the vacancy caused by Eugenio Ruiz-Gálvez Priego.
- Fernando Castelló Clemente (Independent director)
- José Ignacio Comenge Sánchez-Real (Independent director)
- Mercedes Costa García (Independent director)
- Empresas Comerciales e Industriales Valencianas, S.L.U., represented by Javier Gómez-Trenor Vergés (Proprietary director)
- Javier Fernández Alonso (Proprietary director). He was appointed by cooptation on 25 January 2017 to fill the vacancy caused by José Nieto de la Cierva.
- Grupo Tradifin, S.L.U., represented by Blanca Hernández Rodríguez (Proprietary director)
- Heralianz Investing Group, S.L.U., represented by Félix Hernández Callejas (Executive director)
- Dr August Oetker (Proprietary director)

The vacancy caused by the death of José Antonio Segurado García in February 2017 has not yet been filled at the date of this report.

C. The following is put on record regarding the classification of directors:

a) As regards the classification of Eugenio Ruiz-Gálvez Priego as an "other non-executive" director, he was originally appointed director and member of the Audit and Compliance Committee by virtue of his personal and professional qualities and performed his duties unconditioned by relations with the company or its group, controlling shareholders or executives. Therefore, this director performs his duties in the Board and Audit and Compliance Committee just like any other independent director, although he could not be classified as such because he had been on the board for more than 12 years in succession.

b) As regards the classification of Instituto Hispánico del Arroz, S.A. (director up to 21 December 2016) as an executive director, this director (i) did not perform executive or management duties in Ebro Foods, S.A. or any subsidiary of the Group and, therefore, received no remuneration for such duties; (ii) was classified as an executive director because its individual representative on the board of directors of Ebro Foods, S.A. was an executive of one of the Group's subsidiaries; and (iii) held the position of director because it was a significant shareholder of the company, with a total direct and indirect interest of 15.921%, regardless of who its personal representative was and the executive position that said representative may have held within the Group.

c) As regards the classification of Heralianz Investing Group, S.L. as an executive director, this director (i) does not perform executive or management duties in Ebro Foods, S.A. or any subsidiary of the Group and, therefore, receives no remuneration for such duties; (ii) is classified as an executive director because its individual representative on the board of directors of Ebro Foods, S.A. is an executive of one of the Group's subsidiaries (the same executive who represented Instituto Hispánico del Arroz, S.A. on the board of Ebro Foods, S.A.); and (iii) holds the position of director because it is a significant shareholder of the company, with a total direct and indirect interest of 7.961%. Heralianz Investing Group, S.L. will continue to be a director of Ebro Foods, S.A. during such time as it is a significant shareholder, regardless of who its personal representative was and the executive position that said representative may have held within the Group.

D. With regard to the presence of female directors on the board, following the appointment of two new female directors in July 2016 and January 2017, there are now four women on the board of directors, out of a total thirteen members, hence women now represent 30.76% of the board members. At the date of this report, the company has reached the representation target established in the Policy for Selecting Candidates, which stipulates that the gender least represented on the Board shall account for at least thirty per cent of all the Board members by 2020.

E. At the date of this report, José Ignacio Comenge Sánchez-Real has been appointed Lead Independent Director.

EXPLANATORY NOTE TWO, ON SECTIONS A.4 AND C.1.7

The directors Grupo Tradifin, S.L. and Heralianz Investing Group, S.L. are also significant shareholders of the company (see percentage shareholdings indicated in A.3).

Grupo Tradifin, S.L. and Heralianz Investing Group, S.L. were nominated as directors by the then controlling shareholder Instituto Hispánico del Arroz, S.A., in which each of these companies held a 50% stake.

Up to 28 December 2016, Instituto Hispánico del Arroz, S.A. held a 15.921% interest in Ebro Foods, S.A. (up to 22 December 2016, a direct interest of 8.963% and an indirect interest of 6.959% through Hispafoods Invest, S.L.; and an entirely direct interest of 15.921% from 22 to 28 December 2016).

On 28 December 2016, Instituto Hispánico del Arroz, S.A. transferred all its shares in Ebro Foods, S.A. to its two shareholders, Grupo Tradifin, S.L. (7.961%) and Heralianz Investing Group, S.L. (7.961%).

When Instituto Hispánico del Arroz, S.A. lost its status, Grupo Tradifin, S.L. and Heralianz Investing Group, S.L. continued to be directors by virtue of their status as significant shareholders of the company. They each hold a 7.961% interest in Ebro Foods, S.A.

EXPLANATORY NOTE THREE, ON SECTION A.5

Relationships between the companies of the Ebro Foods Group and the controlling shareholders, excluding those who are directors, are explained in section A.5.

See sections D.2 and D.3 of this Report.

EXPLANATORY NOTE FOUR, ON SECTION B.4

As indicated in the information contained in the attendance list of the AGM incorporated in the notarial minutes issued thereof, the figures on attendance in person and by proxy set out in section B.4 of this report include the percentages of postal and electronic votes.

EXPLANATORY NOTE FIVE, ON SECTION C.1.15

The directors' remunerations indicated in section C.1.15 include attendance fees received by the chairman of the board of Ebro Foods, S.A., Antonio Hernández Callejas, as director of Pastificio Lucio Garofalo, S.p.A. (a company in the Ebro Group), totalling 5 thousand euros and paid by that company.

In addition, the chairman of the board received 5,200 euros from Riso Scotti, S.p.A. (associate) in attendance fees as director of that company.

EXPLANATORY NOTE SIX, ON SECTION C.1.16

All the company executives of Ebro Foods, S.A. are included in section C.1.16, even though they do not all have senior management employment relations with the company.

EXPLANATORY NOTE SEVEN, ON SECTION C.1.17

- Grupo Tradifin, S.L. and Heralianz Investing Group, S.L. are directors and controlling shareholders of Ebro Foods, S.A. with an interest of 7.961% each.

- Antonio Hernández Callejas has a direct interest of 33.333% in Heralianz Investing Group, S.L. and, therefore, an indirect interest in Ebro Foods, S.A. through the 7.961% direct interest held by Heralianz Investing Group, S.L. in Ebro Foods, S.A. Antonio Hernández Callejas does not hold any office in that company.

- Félix Hernández Callejas, representative of Heralianz Investing Group, S.L. on the board of directors of Ebro Foods, S.A., has a direct interest of 33.333% in Heralianz Investing Group, S.L. and, therefore, an indirect interest in Ebro Foods, S.A. through the 7.961% direct interest held by Heralianz Investing Group, S.L. in Ebro Foods, S.A. Félix Hernández Callejas is joint and several director does not hold any office in that company.

- Blanca Hernández Rodríguez, representatives of Grupo Tradifin, S.L. on the board of directors of Ebro Foods, S.A., has a direct interest of 33.25% in Grupo Tradifin, S.L. and, therefore, an indirect interest in Ebro Foods, S.A. through the 7.961% direct interest held by Grupo Tradifin, S.L. in Ebro Foods, S.A. Blanca Hernández Rodríguez is Managing Director of that company.

- Demetrio Carceller Arce has an indirect interest in Ebro Foods, S.A. through the 11.447% interest that Sociedad Anónima Damm holds in Ebro Foods, S.A. through Corporación Económica Delta, S.A.

EXPLANATORY NOTE EIGHT, ON SECTION C.2.1

A. The name of the audit committee in the company is "Audit and Compliance Committee" and the name of the nomination and remuneration committee is "Nomination and Remuneration Committee".

B. All the members of the Audit and Compliance Committee were appointed on account of their expertise and experience in accounting and auditing, including Grupo Tradifin, S.L., which was elected on the basis of its representative's expertise in these matters.

C. Following the changes in the Board since 31 December 2016, the composition of the different committees indicated in C.2.1 of this report is currently as follows:

EXECUTIVE COMMITTEE:

- Antonio Hernández Callejas, Chairman, Executive director
- Demetrio Carceller Arce, Vice-Chairman, Proprietary director
- Javier Fernández Alonso, Member, Proprietary director

AUDIT AND COMPLIANCE COMMITTEE:

- José Ignacio Comenge Sánchez-Real, Chairman, Independent director
- Fernando Castelló Clemente, Member, Independent director
- Grupo Tradifin, S.L., represented by Blanca Hernández Rodríguez, Member, Proprietary director
- Mercedes Costa García, Member, Independent director
- Belén Barreiro Pérez-Pardo, Member, Independent director

NOMINATION AND REMUNERATION COMMITTEE:

- Fernando Castelló Clemente, Chairman, Independent director
- Demetrio Carceller Arce, Member, Proprietary director
- Grupo Tradifin, S.L., represented by Blanca Hernández Rodríguez, Member, Proprietary director

STRATEGY AND INVESTMENT COMMITTEE:

- Demetrio Carceller Arce, Chairman, Proprietary director
- Antonio Hernández Callejas, Member, Executive director
- Heralianz Investing Group, S.L., represented by Félix Hernández Callejas, Member, Executive director
- Javier Fernández Alonso, Member, Proprietary director

D. The duties of the different Board Committees as established in the Regulations of the Board are set out below, without prejudice to those they have by law:

DUTIES OF THE EXECUTIVE COMMITTEE:

Notwithstanding the specifications of the Board in the resolution to delegate powers and the powers of the Board that may not be delegated, the Executive Committee has the following powers:

- a) Adopt resolutions corresponding to the powers delegated to it by the Board of Directors.

b) Monitor and supervise the ordinary management of the company, ensuring adequate coordination with subsidiaries in the common interests of the latter and the company.

c) Study and propose to the Board of Directors the guidelines defining business strategy, supervising their implementation.

d) Debate and inform the Board on any issues corresponding to the following matters, regardless of whether or not they have been delegated by the Board:

- Separate and consolidated annual budget of the company, itemising the provisions corresponding to each core business.

- Monthly monitoring of the financial management, deviations from the budget and proposed remedial measures, if necessary.

- Significant financial investments and investments in property, plant and equipment and the corresponding economic justification.

- Alliances and agreements with other companies which, by virtue of their amount or nature, are important for the company.

- Financial transactions of a material economic significance for the company.

- Programme of medium-term actions.

- Assessment of the achievement of objectives by the different operating units of the company.

- Monitoring and assessment of the subsidiaries in respect of the matters contemplated in this sub-section d).

e) Adopt resolutions corresponding to the buy-back and disposal of treasury stock by the Company, in accordance with the authorisation, if any, granted by the General Meeting. A Director may be designated to execute and formalise the decisions to buy or sell own shares, supervising and, if appropriate, authorising any resolutions that may be adopted by subsidiaries to buy and sell their own shares or shares in the Company, whenever such authorisation is required by law.

DUTIES OF THE AUDIT AND COMPLIANCE COMMITTEE:

The Audit and Compliance Committee shall have the following powers, in addition to those assigned to it by law, regulations or the Articles of Association:

a) Supervise and promote internal control of the company and the risk management systems and submit recommendations to the Board for a decision on the risk management and control policy, including tax risks, specifying at least:

- The types of risk to which the company is exposed.

- The risk level that the company considers acceptable.

- The measures for mitigating the impact of identified risks, should they actually occur.

- The control and reporting systems used to control and manage those risks.

b) Supervise and promote the policies, procedures and systems used for drawing up and controlling the company's financial information, checking the services performed in this regard by the Internal Audit Department, the Financial Department and the Management Committee and making sure they are correctly distributed throughout the Group.

c) Receive the information sent regularly to the Stock Exchange Councils, issue prospectuses and any public financial information offered by the Company and, in general, all information prepared for distribution among shareholders, ensuring the existence of internal control systems that guarantee the transparency and truth of the information.

d) Ensure that (i) the systems used for preparing the separate and consolidated Annual Accounts and Directors' Report submitted to the Board to be authorised for issue in accordance with current legislation give a true and fair view of the equity, financial position and results of the Company and make sure that any interim financial statements are drawn up according to the same accounting principles as the annual accounts, considering the possibility of asking the external auditors to make a limited audit if necessary; and (ii) the Board of Directors endeavours to submit the annual accounts to the General Meeting with an unqualified auditors' report.

In this respect, it shall also see that the internal control systems are adequate and effective in respect of the accounting practices and principles used for drawing up the company's annual accounts, supervising the policies and procedures established to ensure due compliance with applicable legal provisions and internal regulations. The Committee shall, through its Chairman, obtain information and collaboration from both the Internal Audit Manager and the External Auditors to perform these duties.

e) Establish regular contact with the External Auditors to receive information on any issues that may jeopardise their independence, and any other issues relating to the auditing of accounts, receiving information from and exchanging communications with the External Auditors in accordance with prevailing auditing standards and legislation.

f) Be informed of the decisions adopted by the senior management according to recommendations made by the External Auditors in connection with the audit.

g) Report to the Board prior to the adoption of any decisions on related party transactions submitted for its authorisation.

h) Implement a confidential whistleblowing channel accessible to all Group employees and a protocol for establishing priority, processing, investigating and solving any issues reported through that channel according to their importance and

nature, paying special attention to those involving possible falsehood or misrepresentation in financial or accounting documents and possible fraud.

i) Supervise compliance with the internal codes of conduct and rules of corporate governance. In particular, oversee the implementation of and compliance with the internal regulations and codes applicable to the risk management and control systems in general and the financial reporting process in particular.

j) Submit to the Board, to be tabled at the General Meeting, proposals for the selection, appointment, re-appointment and replacement of the company's External Auditors and their terms of contract, the scope of their commission and the renewal or revocation of their engagement. The Committee shall ensure the independence of the External Auditors and the existence of a discussion procedure enabling the External Auditors, the Internal Audit Department and any other expert to inform the company of any significant weaknesses in its internal control detected while checking the annual accounts or any other processes in which they have worked. The Committee shall issue an annual report, prior to issuance of the auditor's report, expressing an opinion on the independence of the External Auditors and any supplementary services they may have provided. It shall also inform the Board on the proposal submitted to the Board by the Company Chairman regarding the appointment of the Internal Audit Manager, who shall report directly to the Chairman of the Board.

k) Supervise and report to the Board on intragroup and related party transactions of the company or subsidiaries and settle any conflicts of interest that may arise between the company or the group and its directors, executives, significant shareholders and listed subsidiaries, if any.

l) The Audit and Compliance Committee shall also report to the General Meeting on any issues raised by shareholders concerning matters within its competence.

DUTIES OF THE NOMINATION AND REMUNERATION COMMITTEE:

In addition to any other powers corresponding to it by law or the Articles of Association, the Committee shall study, issue reports and submit proposals for the Board, at its request, on the following matters:

a) Definition and, where appropriate, revision of the criteria to be followed for the composition and structure of the Board and selection of candidates to join the Board, informing always prior to the appointment of a Director by cooptation or the submission to the General Meeting of any proposal regarding the appointment or removal of Directors.

b) Appointment of the Chairman, and Vice-Chairman if any, of the Board, Managing Director(s), Lead Independent Director and the Secretary, and Vice-Secretary if any, of the Board; appointment of Directors to the Committees of the Board; and appointment and possible dismissal of senior executives and their termination benefit clauses.

c) Position of the Company regarding the appointment and removal of board members in subsidiaries.

d) Proposal of directors' emoluments, according to the system of remuneration established in the Articles of Association and the executive directors' relationship with the Company. The Committee shall also inform in advance on any resolution or proposal of the Board on the remuneration of directors and executives indexed to the value of the shares in the Company or its subsidiaries or consisting of the delivery of shares in the Company or its subsidiaries or the granting of options thereover.

e) Supervision of the senior management remuneration and incentives policy, obtaining information and reporting on the criteria followed by the Company's subsidiaries in this respect.

f) Assessment of the principles of the management training, promotion and selection policy in the parent company and, where appropriate, in its subsidiaries.

g) Examination and organisation, as deemed adequate, of the succession of the Chairman and chief executive and, if appropriate, submission of proposals to the Board to ensure that such succession is made in an orderly, well-planned manner.

h) Preparation and proposal of the Annual Report on Directors' Remuneration and the Directors' remuneration policy in accordance with the laws and regulations in place from time to time.

i) Setting targets for the representation of the least represented gender on the Board and issue guidelines on how to achieve them.

DUTIES OF THE STRATEGY AND INVESTMENT COMMITTEE:

The Committee shall study, issue reports and submit proposals for the Board on the following matters:

a) Setting of targets for growth, yield and market share.

b) Strategic development plans, new investments and restructuring processes.

c) Coordination with subsidiaries in the matters contemplated in paragraphs (a) and (b) above, for the common interests and benefit of the Company and its subsidiaries.

- The activities performed by the different Board Committees in 2016 are indicated below:

ACTIONS PERFORMED BY THE EXECUTIVE COMMITTEE IN 2016:

- Several investments, divestments and sales of assets were valued.

- The committee studied the information provided by the tax manager on the development of the Group businesses, as regards the Group's principal taxation aspects.

- Strategic decisions to be adopted in respect of the different businesses were assessed.

ACTIONS PERFORMED BY THE AUDIT AND COMPLIANCE COMMITTEE IN 2016:

- The external audit of the separate and consolidated annual accounts 2015 was monitored, anticipating unqualified auditors' reports, even though the audit work was not entirely completed.
 - An analytic review was made of the consolidated financial statements 2015, highlighting the principal changes in respect of 2014 and the reasons for those changes.
 - The financial reporting internal control system (FRICS) was reviewed, analysing the ratios and covenants. No material irregularities were detected.
 - The related party transactions and situations of potential conflict of interest corresponding to 2015 were checked, resolving to submit a favourable report to the board on those transactions and situations, and on the authorisation for them to be made in 2016.
 - The Committee checked and resolved to pass a favourable report to the board on the periodical financial reporting for H2 of 2015 and the quarterly reports in 2016.
 - The Committee examined the report prepared by the Internal Audit Department on different subsidiaries of the Group, within Internal Audit Plan 2016.
 - The operation and use of the whistleblowing channel in 2015 was reviewed.
 - The committee checked and agreed to issue a favourable report to the Board on the separate and consolidated annual accounts and directors' report for the year ended 31 December 2015. During the review, the external auditors of the company and its group (EY) submitted its draft unqualified auditors' report.
 - The draft report by the auditors on the FRICS (financial reporting internal control system) for 2015 was reviewed.
 - After the corresponding review, a favourable report was issued on the independence of the auditors to be submitted to the board.
 - The information on related party transactions and situations of potential conflict of interest and the information on risk control included in the Annual Corporate Governance Report 2015 was checked, resolving to submit a favourable report to the board.
 - The information on risk control included in the Annual Corporate Governance Report 2015 was checked, resolving to submit a favourable report to the board.
 - An investment review protocol was approved to ensure adequate monitoring and checking of compliance by investments made with the financial parameters.
 - The activity report of the Committee for 2015 was issued and submitted to the board.
 - The Plan for 2016 presented by the Manager of the Internal Audit Department was approved.
 - The Corporate Social Responsibility Report 2015 was checked, resolving to submit a favourable report to the board.
 - Within its supervision of internal control and risk management, the committee specifically monitored the most important tax aspects of the Group.
 - The recommendations by the external auditors regarding the internal control processes established within the group were analysed.
 - The latest changes in legislation regulating account auditing were analysed.
 - The committee analysed the work by the Compliance Unit in respect of the Crime Prevention Model established in the Group and modification of the Internal Code of Market Conduct.
 - The committee studied the proposed modification to the Internal Code of Market Conduct in the wake of the entry into force as of 3 July of Regulation (EU) 596/2014 on market abuse, presented with a favourable report by the Compliance Unit for submission to the board.
 - The proposed fees of the external auditors (EY) for auditing of the 2016 accounts was analysed and a report submitted to the board.
 - The tax and legal risk management and control measures within the group were analysed and reviewed.
 - The external audit of the separate and consolidated annual accounts 2016 was monitored, not detecting any material aspects.
 - The financial reporting internal control system (FRICS) was reviewed, analysing the ratios and covenants. No material irregularities were detected.
 - The external auditors ran training sessions on the principal novelties in tax and accounting aspects and the new Audit Act.
- The committee studied and submitted a favourable report to the board on the proposed dividends against the 2016 profits (payable in 2017), on the terms subsequently approved by the board and announced to the market on 22 December 2016.
- The general policies affecting the powers of the committee were checked and a favourable report was submitted to the board.

ACTIONS PERFORMED BY THE NOMINATION AND REMUNERATION COMMITTEE IN 2016:

- The Committee studied and agreed to issue a favourable report to the Board on the Remuneration Policy for Company Directors, including the Executive Chairman of the Board, and Executives of the Parent and Group for 2015-2016.
- It was resolved to begin the self-assessment process of the board, executive chairman and committees for 2015.
- It was resolved to recommend the board to pay the second instalment of the share in profits corresponding to 2015.
- The Committee agreed to recommend the Board, with a favourable report, to approve the Report on Directors' Remuneration for 2015, to be put to an advisory vote at the AGM as a separate item on the agenda.
- The report on the assessment of the Board, its Chairman and Committees in 2015 was prepared, to be submitted to the Board of Directors.
- The Nomination and Remuneration Committee's Activity Report 2015 was prepared, to be submitted to the Board of Directors.
- The Committee studied and agreed to issue a favourable report to the Board on the information included in the Annual Corporate Governance Report 2015 on remuneration and categories of directors.
- The outline of incentives under the Ebro Foods Group Strategic Plan 2016-2018 was analysed and a favourable report submitted to the board.
- It was resolved to propose to the Board, with a favourable report, payment of (i) the final share in profits corresponding to 2015, once foreseeably approved at the annual general meeting, and (ii) the first instalment of the share in profits corresponding to 2016.
- It was resolved to propose to the Board, with a favourable report, appointment by cooptation of Mercedes Costa García as independent director and member of the company's Audit and Compliance Committee.
- It was resolved to propose to the Board, with a favourable report, approval of the employee Share Delivery Plan 2016.
- It was resolved to propose to the Board, with a favourable report, appointment by cooptation of Grupo Tradifin, S.L. (represented by Blanca Hernández Rodríguez) as proprietary director and member of the Audit and Compliance Committee and Nomination and Remuneration Committee.
- It was resolved to propose to the Board, with a favourable report, appointment by cooptation of Heralianz Investing Group, S.L. (represented by Félix Hernández Callejas) as executive director and member of the Strategy and Investment Committee.
- The Committee studied and issued a favourable report to the Board on the general corporate policies affecting the powers of the Committee.

ACTIONS PERFORMED BY THE STRATEGY AND INVESTMENT COMMITTEE IN 2016:

- Progress was checked of the Ebro Foods Group Strategic Plan 2016-2018.

EXPLANATORY NOTE NINE, ON SECTION D.2

Herba Ricemills, S.L.U. (subsidiary of the Ebro Group) effected transactions of purchase of goods (finished or otherwise) in a sum of €3,634 thousand with Instituto Hispánico del Arroz, S.A. during 2016, when this company was still a significant shareholder of Ebro Foods, S.A. (21-28 December 2016), although it had stepped down as director.

EXPLANATORY NOTE TEN, ON SECTION D.3

The transactions made by different companies of the Ebro Group with Instituto Hispánico del Arroz, S.A. during the part of 2016 in which the latter company was director (up to 21 December) are listed below (in thousand euros):

- Arotz Foods, S.A., purchase of goods (finished or otherwise) for 375.
- Arotz Foods, S.A., other income, for 6
- Arotz Foods, S.A., sale of goods (finished or otherwise) for 1
- Arrozeiras Mundiarroz, purchase of goods (finished or otherwise) for 234
- Boost Nutrition, N.V., purchase of goods (finished or otherwise) for 4
- Boost Nutrition, N.V., sale of goods (finished or otherwise) for 29
- Herba Ingredients, BV, purchase of goods (finished or otherwise) for 102
- Herba Ricemills, S.L.U., lease (expense) for 178
- Herba Ricemills, S.L.U., purchase of goods (finished or otherwise) for 8,724
- Herba Ricemills, S.L.U., services received, for 310
- Herba Ricemills, S.L.U., sale of goods (finished or otherwise) for 1,119
- S&B Herba Foods, Ltd., purchase of goods (finished or otherwise) for 838
- S&B Herba Foods, Ltd., sale of goods (finished or otherwise) for 501
- Ebro Foods, S.A., payment of dividends in a sum of 7,446.78

In addition, Ebro Foods, S.A. paid dividends to Hispafoods Invest, S.L. (director up to 21 December 2016) in a sum of €5,781.93 thousand.

Finally, gross dividends of Ebro Foods, S.A. for 2016 were received by the executives named in section C.1.16 in an overall sum of €15 thousand.

EXPLANATORY NOTE ELEVEN, ON SECTION D.5

A summary of the transactions made in 2016 between companies of the Ebro Group and "other related parties" is set out below (in thousand euros):

- Services received in a sum of 29 between Herba Foods, S.L.U. (subsidiary of the Ebro Group) and Hernández Barrera Servicios, S.L.
- Services received in a sum of 259 between Herba Ricemills, S.L.U. and Hernández Barrera Servicios, S.L.

Félix Hernández Callejas, representative on the board of Ebro Foods, S.A. of the director Herculanz Investing Group, S.A., is a director of Hernández Barrera Servicios, S.L.

EXPLANATORY NOTE TWELVE

Ebro Foods, S.A. has a 25% interest in Riso Scotti S.p.A. This is an associated investment consolidated by the equity method.

The transactions made during 2016 between Riso Scotti S.p.A. and companies in the Ebro Foods Group are summarised below, in thousand euros:

- Herba Ricemills, S.L.U., purchase of goods (finished or otherwise) for 367
- Herba Ricemills, S.L.U., sale of goods (finished or otherwise) for 204
- Herba Ricemills, S.L.U., services rendered (income) for 9
- Ebro Foods, S.A., dividends received in a sum of 509

EXPLANATORY NOTE THIRTEEN, ON SECTION G

- RECOMMENDATION 11

The company has a Policy on Attendance Fees for General Meetings, which establishes the principle that those fees will not be cash payments, but the delivery of a gift related with the products of Ebro Group and/or its brands.

- RECOMMENDATION 39

The following changes took place in the composition of the Audit and Compliance Committee during 2016:

(i) Up to July 2016, this committee had four members, two of whom were independent directors and one was classified as "other non-executive". Although this director performed his duties just like any other independent director, he could not be formally classified as such because he had been on the board for more than twelve years in succession.

(ii) In July 2016, a new independent director joined the Audit and Compliance Committee, which then had five members, with a majority of independent directors (three out of five).

(iii) Following the resignation on 31 December 2016 of the director classified as "other non-executive" and the incorporation in January 2017 of a new independent director, the Audit and Compliance Committee now has five members, four of whom are independent.

ETHICAL PRINCIPLES AND CODES VOLUNTARILY APPLIED BY EBRO FOODS, S.A.:

- United Nations Global Compact - 2001
- Project of the Spanish Commercial Coding Association (AECOC) against food waste, "Don't waste food, use it" - 2012
- Member of the Advisory Committee of the United Nations Sustainable Development Goals Fund (SDGF) to boost the Sustainable Development Goals (SDG) - 2015
- Sustainable Agriculture Initiative (SAI) Platform - 2015
- SERES Foundation - 2015
- Sustainable Rice Platform - 2016

This Annual Corporate Governance Report was approved by the Board of Directors of the company on 29/03/2017.

State whether any directors voted against approval of this Report or abstained in the corresponding vote.

YES NO

EBRO FOODS, S.A.

**Auditor Report on the "2016 Disclosures Regarding the Internal
Control over Financial Reporting System"**

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

AUDIT REPORT ON THE "DISCLOSURES REGARDING THE INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) SYSTEM" OF EBRO FOODS, S.A. FOR 2016

To the Board of Directors of Ebro Foods S.A.,

As per the request made by the Board of Directors of EBRO FOODS, S.A. (hereinafter, the Company) and our proposal letter of February 1, 2017, we have applied certain procedures in relation to the accompanying "ICFR disclosures" of EBRO FOODS, S.A. for 2016, which summarize the Company's internal control procedures in respect of its annual reporting exercise.

The Board of Directors is responsible for taking the opportune measures to reasonably assure the implementation, maintenance and supervision of an adequate internal control system, making improvements to this system and preparing the contents of the ICFR disclosures required of the accompanying Annual Corporate Governance Report (ACGR).

Against this backdrop, it is important to note that, regardless of the quality of design and effective functioning of the ICFR system adopted by the Company in respect of its annual financial reporting effort, the latter can only provide reasonable but not absolute assurance regarding the objectives pursued, due to the limitations intrinsic to any internal control system.

In the course of our financial statement audit work and in keeping with Spain's Technical Auditing Standards, the sole purpose of our assessment of the Company's internal controls was to enable us to establish the scope, nature and timing of the Company's financial statement audit procedures. Accordingly, our internal control assessment, performed in connection with the financial statement audit, was not sufficiently broad in scope to enable us to issue a specific opinion on the effectiveness of the internal controls over the annual financial disclosures that the Company is required to present.

For the purpose of issuing this report, we have only carried out the specific procedures described below, as indicated in the Procedures for external audit reviews of an entity's ICFR disclosures contained in the Internal Control over Financial Reporting in Listed Companies report published by Spain's securities market regulator, the CNMV (and available on its website), which establishes the procedures to be performed, the scope thereof and the contents of this report. Given that the products resulting from these procedures is at any rate limited in scope and substantially more limited than an audit or review of the internal control system, we do not express any opinion on the effectiveness of the system or on its design as effective functioning in respect of the Company's 2016 financial reporting disclosures, as described in the accompanying ICFR disclosures. Consequently, had we performed additional procedures to those stipulated in the above mentioned that the Company is required to present, other matter might have come to our attention that would have been reported to you.

Furthermore, given that this special assignment neither constitutes a financial statement audit nor is subject to the Consolidated Text of Spain's Financial Statement Audit Act, we do not express an opinion in the terms provided for in that piece of legislation.

The procedures performed are itemized below:

1. Read and understand the information prepared by the Entity in relation to the ICFR - which is provided in the Director's Report disclosure and assess whether such information addresses all the required information which will follow the minimum content detailed in Section F, relating to the description of the ICFR, as per the ACGR model established by CNMV Circular nº 7/2015 dated December 22, 2015.
2. Questioning of personnel responsible for drawing up the information detailed in item 1 above: (i) to obtain an understanding of the process that goes into drawing up the information; (ii) to obtain information that permits an evaluation of whether the terminology used complies with the framework definitions; and (iii) to obtain information on whether the control procedures described are in place and functioning.
3. Reviewing the explanatory documents supporting the information detailed in item 1, including documents directly made available to those responsible for describing ICFR system. The documentation to be reviewed may include reports prepared for the audit committee by internal audit, senior management and other internal or external specialist.
4. Comparing the information detailed in item 1 above with their knowledge of the Company's ICFR obtained through the external audit procedures applied during the annual audit.
5. Reading of the minutes taken at meetings of the board of directors, audit committee and other committees of the Company to evaluate the consistency between the ICFR business transacted and the information detailed in item 1 above.
6. Obtaining a management representation letter in connection with the work performed, signed by those responsible for preparing and formulating the information detailed in item 1 above.

The specific procedures carried out in respect of the Company's ICFR disclosures did not reveal any inconsistencies or incidents that could affect such disclosures

This report was prepared exclusively within the framework of the requirements established by article 540 of the consolidated text of the Corporate Enterprises Act and by Circular nº7/2015 dated December 22, 2015 of the Spanish National Securities Market Commission related to the description of the ICFR in the Annual Corporate Governance Report.

ERNST & YOUNG, S.L.

(Signed on the original in Spanish)

David Ruiz-Roso Moyano

March 29, 2017



I, the Secretary of the Board of Directors of Ebro Foods, S.A. hereby certify that the members of the Board have signed this document containing the consolidated annual accounts and directors' report of Ebro Foods, S.A. for the year running from 1 January to 31 December 2016, on 202 pages excluding this one, printed on one side only (the Annual Corporate Governance Report is included at the end of the directors' report, after page 133, numbered from 1 to 65, inclusive, together with the Auditors' Report on the FRICS, on 4 pages). This certificate is signed by each and every one of the directors, in person or by proxy, against their names and surnames set out below.

Madrid, 29 March 2017

Luis Peña Pazos
Secretary of the Board

Antonio Hernández Callejas
Chairman

Demetrio Carceller Arce
Vice-Chairman

Alimentos y Aceites, SA
(Concepción Ordiz Fuertes)

Belén Barreiro Pérez-Pardo

Fernando Castelló Clemente

José Ignacio Comenge Sánchez-Real
Lead Independent Director

Mercedes Costa García

Empresas Comerciales
e Industriales Valencianas, SL
(Javier Gómez-Trenor Vergés)

Javier Fernández Alonso

Grupo Tradifín, SL
(Blanca Hernández Rodríguez)

Hercalanz Investing Group, SL
(Félix Hernández Callejas)

Rudolf-August Oetker
(By express proxy,
Demetrio Carceller Arce)

I, the Secretary of the Board, hereby certify that the consolidated annual accounts of Ebro Foods, S.A. for 2016 have not been signed personally by the director Dr Oetker because he did not attend in person the Board meeting at which those annual accounts were authorised for issue. That director has, nevertheless, (i) expressly stated his approval and vote for the accounts and (ii) expressly authorised the director who represented him at that meeting to sign the accounts and this disclaimer on his behalf.

Madrid, 29 March 2017

Luis Peña Pazos