EBRO FOODS, S.A.

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

for the year ended
December 31, 2017

EBRO FOODS: CONSOLIDATED GROUP
CONDENSED CONSOLIDATED BALANCE SHEET
AT DECEMBER 31, 2017 AND 2016

THOUSANDS OF EUROS	Note	Dec 31, 2017 Unaudited	Dec 31, 2016 Audited
NON-CURRENT ASSETS			
Intangible assets	9	428,248	464,228
Property, plant and equipment	10	758,739	737,452
Investment properties	11	23,780	25,882
Financial assets	12	32,252	34,088
Investments in associates	13	36,755	37,299
Deferred tax assets		49,757	83,068
Goodwill	14	1,037,889	1,028,740
		2,367,420	**2,410,757**
CURRENT ASSETS			
Inventories		558,990	488,821
Trade and other receivables		378,069	375,442
Current tax liabilities		37,651	26,441
Taxes receivable		32,425	32,643
Financial assets	12	8,636	5,067
Derivative and other financial instruments		146	3,909
Other current assets		7,952	11,383
Cash and cash equivalents		269,411	291,340
		1,293,280	**1,235,046**
Non-current assets held for sale		0	0
TOTAL ASSETS		**3,660,700**	**3,645,803**
EQUITY		**2,121,925**	**2,106,401**
Equity attributable to equity holders of the parent			
Share capital		92,319	92,319
Share premium		4	4
Restricted reserves		21,633	21,633
Unrestricted reserves (retained earnings)		1,952,503	1,820,612
Translation differences		8,178	144,758
Own shares	17	0	0
		2,074,637	**2,079,326**
Non-controlling interests		**47,288**	**27,075**
NON-CURRENT LIABILITIES			
Deferred income		4,051	4,749
Provisions for pensions and similar obligations	18	51,110	56,489
Other provisions	19	20,579	18,498
Financial liabilities	21	472,353	495,490
Other non-financial liabilities		0	0
Deferred tax liabilities		219,250	299,500
		767,343	**874,726**
CURRENT LIABILITIES			
Financial liabilities	21	310,194	241,960
Derivative and other financial instruments		4,293	1,104
Trade and other accounts payable		425,161	393,896
Current tax liabilities		14,013	12,966
Taxes payable		14,822	13,733
Other current liabilities		2,949	1017
		771,432	**664,676**
Liabilities associated with non-current assets held for sale		0	0
TOTAL EQUITY AND LIABILITIES		**3,660,700**	**3,645,803**

The accompanying notes 1 to 24 are an integral part of the condensed consolidated balance sheet at December 31, 2017.

EBRO FOODS: CONSOLIDATED GROUP
CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
THOUSANDS OF EUROS

	Note	Dec 31, 2017	Dec 31, 2016
		Unaudited	Audited
Revenue	6	2,506,969	2,459,246
Change in inventories of finished goods and work in progress		23,878	16,231
Own work capitalized		737	1,097
Other operating income	8	20,193	34,570
Raw materials and consumables used and other external expenses		(1,331,011)	(1,314,475)
Employee benefits expense		(338,975)	(331,443)
Depreciation and amortization		(79,686)	(76,833)
Other operating expenses	8	(531,026)	(523,785)
OPERATING PROFIT		**271,079**	**264,608**
Finance income		35,505	28,746
Finance costs		(46,562)	(36,803)
Impairment of goodwill	14	(181)	(183)
Share of profit of associates	13	4,290	3,042
CONSOLIDATED PROFIT/(LOSS) BEFORE TAX		**264,131**	**259,410**
Income tax	20	(34,157)	(83,591)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		**229,974**	**175,819**
Profit/(loss) after tax for from discontinued operations	7	0	0
PROFIT FOR THE PERIOD		**229,974**	**175,819**
Attributable to:			
Equity holders of the parent		**220,600**	**169,724**
Non-controlling interests		9,374	6,095
		229,974	**175,819**

	Note	2017	2016
Earnings per share (euros)	16	Unaudited	Audited
- From continuing operations			
Basic		1,434	1,103
Diluted		1,434	1,103
- From profit for the period			
Basic		1,434	1,103
Diluted		1,434	1,103

The accompanying notes 1 to 24 are an integral part of the condensed consolidated income statement for the year ended December 31, 2017.

EBRO FOODS: CONSOLIDATED GROUP
CONDENSED CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(THOUSANDS OF EUROS)

		2017			2016		
	Note	Gross amount	Tax effect	Net amount	Gross amount	Tax effect	Net amount
1. Profit for the year				**229,974**			**175,819**
2. Other income and expense recognized directly in equity:		**-135,718**	**-2,665**	**-138,383**	**24,541**	**1,956**	**26,497**
2.1 Other comprehensive income to be reclassified to profit or loss in subsequent periods		**-137,448**	**1**	**-137,447**	**31,127**	**105**	**31,232**
Gains/(losses) on the measurement of available-for-sale financial assets	12	8	1	9	149	-22	127
Gains/(losses) on the measurement of available-for-sale financial assets reclassified to profit or loss	12	0	0	0	-509	127	-382
Translation differences		-137,456	0	-137,456	31,417	0	31,417
Translation differences reclassified to profit or loss during the reporting period		0	0	0	70	0	70
2.2 Other comprehensive income not to be reclassified to profit or loss in subsequent periods		**1,730**	**-2,666**	**-936**	**-6,586**	**1,851**	**-4,735**
Actuarial gains and losses	18	1,730	-2,666	-936	-6,586	1,851	-4,735
1+2 Total income and expense recognized during the year:				**91,591**			**202,316**
Attributable to:							
Equity holders of the parent				83,110			196,167
Non-controlling interests				8,481			6,149
				91,591			**202,316**

The accompanying notes 1 to 24 are an integral part of the condensed statement of recognized income and expense for the year ended December 31, 2017.

EBRO FOODS: CONSOLIDATED GROUP
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
THOUSANDS OF EUROS

			Equity attributable to equity holders of the parent									
						Restricted		Unrestricted reserves				
	Total equity	Non-controlling interests	Total	Share capital	Share premium	Reval. reserve	Legal reserve	Retained earnings	Profit/ (loss)	Interim dividend paid	Translation differences	Own shares
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-period profit	**0**	0	**0**	0	0	0	0	144,846	-144,846	0	0	0
- Dividend payment	**-84,573**	-1,487	**-83,086**	0	0	0	0	-83,086	0	0	0	0
- Reclassifications within reserves	**0**	-26	**26**	0	0	0	0	26	0	0	0	0
- Changes in consolidation scope	**-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 equit	**1,956**	6	**1950**	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
- Distribution of prior-period profit	**0**	0	**0**	0	0	0	0	169,724	-169,724	0	0	0
- Dividend payment	**-87,823**	-120	**-87,703**	0	0	0	0	-87,703	0	0	0	0
- Costs of issuing/cancelling share capital	**-121**	0	**-121**	0	0	0	0	-121	0	0	0	0
- Gain/(loss) on own share sales	**-5**	0	**-5**	0	0	0	0	-5	0	0	0	0
- Tax effect of above movements	**30**	0	**30**	0	0	0	0	30	0	0	0	0
- Changes in consolidation scope	**11,852**	11,852	**0**	0	0	0	0	0	0	0	0	0
Total distribution of profit and transactions with shareholders	**-76,067**	**11,732**	**-87,799**	0	0	0	0	81,925	-169,724	0	0	0
- Profit for the year (as per income statement)	**229,974**	9,374	**220,600**	0	0	0	0	0	220,600	0	0	0
- Change in translation differences	**-137,456**	-876	**-136,580**	0	0	0	0	0	0	0	-136,580	0
- Fair value of financial instruments:												
1. Unrealized gains/(losses)	**8**	0	**8**	0	0	0	0	8	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)	**1,730**	-23	**1,753**	0	0	0	0	1,753	0	0	0	0
- Tax effect of gains/(losses) recognized in equit	**-2,665**	6	**-2,671**	0	0	0	0	-2,671	0	0	0	0
Total income and expense recognized	**91,591**	**8,481**	**83,110**	**0**	**0**	**0**	**0**	**-910**	**220,600**	**0**	**-136,580**	**0**
Balance at December 31, 2017	**2,121,925**	**47,288**	**2,074,637**	92,319	4	3,169	18,464	1,731,903	220,600	0	8,178	0

The accompanying notes 1 to 24 are an integral part of the condensed statement of changes in equity for the year ended December 31, 2017.

EBRO FOODS: CONSOLIDATED GROUP
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
THOUSANDS OF EUROS

	2017	2016
	Unaudited	Audited
Receipts from customers	2,573,738	2,569,706
Payments to suppliers and employees	(2,304,839)	(2,323,550)
Interest paid	(6,362)	(6,793)
Interest received	547	536
Dividends received	4,070	3,710
Other operating activity receipts / payments	13,082	17,320
Income tax paid	(83,517)	(75,268)
Net cash flows from operating activities	**196,719**	**185,661**
Purchase of fixed assets	(120,671)	(107,725)
Proceeds from sale of fixed assets	10,885	26,066
Purchase of financial assets (net of cash acquired)	(370,65)	(40,265)
Proceeds from sale of financial assets	1,823	20,210
Other investment activity proceeds / purchases	(226)	(3,011)
Net cash flows used in investing activities	**(145,254)**	**(104,725)**
Acquisition of own shares	(537)	(544)
Proceeds from the sale of own shares	0	39
Dividends paid to shareholders (including NCI holders)	(93,771)	(85,676)
Proceeds from borrowings	590,994	490,913
Repayment of borrowings	(544,738)	(411,546)
Other financing activity proceeds / payments and grants	(254)	(1,369)
Net cash flows used in financing activities	**(48,306)**	**(8,183)**
Translation differences arising on cash flows from foreign companies	2,117	2,129
NET INCREASE in cash and cash equivalents	**5,276**	**74,882**
Cash and cash equivalents, opening balance	291,340	211,638
Effect of year-end exchange rate on opening balance	(27,205)	4,820
Cash and cash equivalents, closing balance	**269,411**	**291,340**

The accompanying notes 1 to 24 are an integral part of the condensed statement of cash flows for the year ended December 31, 2017.

1. GROUP INFORMATION

Ebro Foods, S.A., a Spanish public limited company (*sociedad anónima*), hereinafter, 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 Group currently operates in Spain and internationally. The Group's main activities and the breakdown of its revenue are disclosed in the operating segment information provided along with other disclosures in note 6.

These condensed consolidated financial statements are presented in thousands of euros (unless expressly stated otherwise) as the euro is the Ebro Foods Group's functional currency. Transactions performed in other currencies are translated into euros following the accounting policies outlined in note 2.

The accompanying condensed consolidated financial statements for the year ended December 31, 2017 were authorized for issue by the Board of Directors on February 28, 2018.

2. BASIS OF PREPARATION, COMPARATIVE INFORMATION AND ACCOUNTING POLICIES

a) Basis of preparation

The condensed consolidated financial statements and the accompanying explanatory notes were prepared in accordance with Internal Accounting Standard (IAS) 34 *Interim Financial Reporting* and using accounting policies and/or measurement standards that are consistent with the International Financial Reporting Standards adopted (IFRS) adopted by the European Union, in keeping with Regulation (EC) No. 1606/2002 of the European Parliament and Council.

The condensed consolidated financial statements and accompanying notes do not include all the information and disclosures required in consolidated annual financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2016. Note that the Board of Directors of Ebro Foods, S.A. expects to authorize the issuance of its consolidated financial statements for the year ended December 31, 2017 on March 21, 2018, after which date they are expected to be available for review.

b) Comparability

For comparative purposes, the Group presents, in addition to the figures for the year ended December 31, 2017, for each item in the condensed consolidated balance sheet, condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of cash flows, condensed consolidated statement of changes in equity and notes to the condensed consolidated financial statements, the figures for the year ended December 31, 2016.

The following significant 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 'Harinas' business combination (a business acquired in Spain in July 2016; for further information see the 2016 consolidated financial statements) compared to the provisional amounts recognized at year-end 2016, 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 increased by 1,300 thousand euros; the amount of goodwill recognized decreased by 975 thousand euros; and the amount of deferred tax liabilities recognized was increased by 325 thousand euros.

c) Use of estimates and assumptions

The parent’s directors are responsible for the information included in these condensed consolidated financial statements.

In preparing the accompanying condensed 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.
- 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 condensed 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 future financial statements.

d) Summary of significant accounting policies

The measurement standards (accounting policies) applied in preparing the accompanying condensed consolidated financial statements are consistent with those used to prepare the consolidated financial statements for the year ended December 31, 2016, 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, 2017:

New or amended standard or interpretation	**Date of application by the EU**
Amendments to IAS 7 *Statement of cash flows: Disclosure initiative*	January 1, 2017
Amendments to IAS 12 *Recognition of deferred tax assets for unrealized losses*	January 1, 2017

- Amendments to IAS 7 *Statement of cash flows: Disclosure initiative* The amendments to IAS 7 form part of the IASB's Disclosure Initiative and require reporters to provide relevant information that enables financial statement users to evaluate changes in liabilities arising from financing activities, distinguishing between changes that involve cash flows and changes that do not (such as foreign exchange gains or losses). Comparative information is not required in the year the amendments are first applied so that the Group has provided these disclosures for the current reporting period only in note 23.

- Amendments to IAS 12 *Recognition of deferred tax assets for unrealized losses* Application has not had any impact on the Group's financial situation or performance as it does not have any deductible temporary differences or assets falling within the scope of the amendments.

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 issuance of the accompanying condensed consolidated financial statements when they are effective, to the extent applicable to the Group.

(THOUSANDS OF EUROS)

New or amended standard or interpretation	Date of adoption by the EU	Date of application in the EU
IFRS 9 *Financial instruments*	September 2016	January 1, 2018
IFRS 15 *Revenue from contracts with customers*	November 2016	January 1, 2018
IFRS 16 *Leases*	October 2017	January 1, 2019
IFRS 17 *Insurance contracts*	Pending	Pending
IFRIC 22 *Foreign currency transactions and advanced consideration*	Pending	Pending
IFRIC 23 *Uncertainty over income tax treatments*	Pending	Pending
Annual Improvements to IFRSs, 2014-2016 Cycle	Pending	Pending
Annual Improvements to IFRSs, 2015-2017 Cycle	Pending	Pending
Amendments to IAS 28 *Long-term interests in associates and joint ventures*	Pending	Pending
Amendments to IAS 40 *Transfers of investment property*	Pending	Pending
Amendments to IFRS 2 *Classification and measurement of share-based payment transactions*	Pending	Pending
Amendment to IFRS 4 *Applying IFRS 9 'Financial instruments' with IFRS 4 'Insurance contracts'*	November 2017	January 1, 2018
Amendments to IFRS 9 *Prepayment features with negative compensation*	Pending	Pending
Amendments to IFRS 15 *Amendments to the new revenue standard*	October 2017	January 1, 2018

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 in general have an impact on its consolidated financial statements. However, of the developments itemized in the table above, the following standards are expected to imply certain impacts, albeit without materially changing the consolidated financial statements:

IFRS 9 *Financial instruments*

In July 2014, the IASB published the final version of IFRS 9 *Financial instruments*, which replaces IAS 39 *Financial instruments: measurement and classification* and all prior versions of IFRS 9. This standard consolidates the three phases of the financial instrument project: classification and measurement, impairment and hedge accounting. IFRS 9 is applicable for annual periods beginning on or after January 1, 2018.

Except for hedge accounting, IFRS 9 must be applied retrospectively (albeit without having to restate comparative information). The new hedge accounting requirements are generally applicable prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required application date and will not restate the comparative information. The Group evaluated the impact of the three aspects of IFRS 9 in 2017. It based its evaluation on currently-available information, which may be subject to change as a result of new information arising in the course of 2018 when the Group adopts IFRS 9. In general, the Group does not expect application of IFRS 9 to have a significant impact on its statement of financial position or equity. Nor does it expect the new financial instrument impairment requirements to have a significant impact. The Group does expect to recognize a small increase in impairment losses which will have a similarly small adverse impact on equity, as outlined below. In addition, the Group will change how it classifies certain financial instruments.

(a) Classification and measurement

The Group does not expect application of the new classification and measurement requirements under IFRS 9 to have a significant impact on its statement of financial position or equity. The Group does not currently have material amounts of financial assets at fair value and it expects to be able to continue to measure those that it does at fair value.

Albeit of insignificant amount, the Group expects to continue to hold its equity interests in unlisted investees for the foreseeable future. The Group will apply the option of presenting changes in their fair value in other comprehensive income, which is why it believes that application of IFRS 9 will not have a significant impact on this heading.

Its loans and trade receivables are held to collect their contractual cash flows which are expected consist solely of payments of principal and interest. The Group analyzed the characteristics of the cash flows from these instruments and concluded that they meet the criteria for measurement at amortized cost under IFRS 9. As a result, it does not have to reclassify these instruments.

(b) Impairment

IFRS 9 requires the Group to recognize expected credit losses (ECLs) in respect of all of its debt securities, loans and trade receivables either on a 12-month or lifetime basis. The Group will apply the simplified approach and recognize a loss allowance based on lifetime ECLs for all trade receivables. The Group has determined that, given the nature of its loans and receivables, its impairment losses will increase by a non-material amount (less than 0.5% of equity).

- <u>IFRS 15 *Revenue from contracts with customers*</u>

  IFRS 15 was published in May 2014 and amended in April 2016 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 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. The Group conducted a preliminary assessment of the impact of first-time application of IFRS 15 in 2017. It based its evaluation on currently-available information, which may be subject to change as a result of new information arising in the course of 2018 when the Group adopts IFRS 15. In general, the Group does not anticipate significant changes in its revenues or a significant impact on its statement of financial position or equity.

  The Group's core business is the sale of food products to end consumers and the supply of food-related raw materials to third parties. The new standard is not expected to have an impact on the Group's profits from contracts with customers under which the sale of finished food products and food-related raw materials is generally the only contractual obligation. The Group expects to recognize the related revenue when control of the asset is transferred to the customer, which is customarily when the goods are delivered.

- <u>IFRS 16 *Leases*</u>

  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 accounted 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 of 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 16 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 will continue to evaluate the potential impact of IFRS 16 on its consolidated financial statements in the course of 2018.

3. TRANSACTION SEASONALITY DURING THE REPORTING PERIOD: FIRST HALF VERSUS SECOND HALF

As a general rule, the Group's various segments present a degree of seasonality over the course of the year, which is why the interim periods are somewhat asymmetric at the consolidated level. More specifically, the rice business segment's buying season runs from September to March of the following year and this has a significant impact on working capital (build-up of inventories) and, by extension, indebtedness, at the March reporting date.

At the June reporting date, inventory levels are usually substantially lower than at year-end and tend to register their lowest levels at the October close.

In general, based on prior-year information, revenue and earnings tender to be higher in the second half of the year than in the first half, presenting a ratio of 55% to 45%, respectively, relative to the annual total.

4. SUBSIDIARIES AND ASSOCIATES

Except as indicated in note 5 below, Ebro Foods, S.A.'s interests in the Group's subsidiaries and associates are represented by the Company's direct and indirect investments in the same entities that are itemized in the consolidated financial statements for the year ended December 31, 2016.

5. KEY TRANSACTIONS AND/OR BUSINESS COMBINATIONS UNDERTAKEN DURING THE YEAR ENDED DECEMBER 31, 2017

Acquisition of Vegetalia, S.A. and Satoki, S.L.

In January 2017, the Group acquired 100% of the share capital of Vegetalia, S.L. and Corporacio Alimentaria Satoki, S.L. (together, "Vegetalia") through its French subsidiary Alimentation Sante. The chain of restaurants operated under the Vegetalia trademark was carved out from the scope of the transaction.

Vegetalia 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 11.9 million euros in 2017.

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 Group's investment totaled 14.7 million euros. The acquisition was financed using a mix of equity and debt. The Group took effective control of this business on January 1, 2017, which is the date of its first-time consolidation.

The preliminary estimated fair value of the net assets acquired at January 1, 2017 is as follows:

Acquisition of Vegetalia as of the acquisition date: Jan 1, 2017	**Thousands of euros**
Property, plant and equipment	1,837
Intangible assets: Trademarks and software	3,714
Other non-current assets	24
Inventories	791
Other current assets	1,384
Cash	1,098
Deferred income	-93
Financial liabilities	-1,347
Deferred income tax	-791
Other current liabilities	-1,183
Goodwill	9,277
Total Ebro Group investment	**14,711**

This business generated revenue during the annual reporting period of 12 million euros and profit during the year of 0.8 million euros.

Acquisition of Geovita of Italy

In July 2017, the Group acquired 52% of the share capital of the Geovita Group of Italy, whose parent company is Geovita Funtional Ingredients, S.r.l.: The Geovita Group is a leading producer and seller of pulses, rice and fast-cooking grains and offers highly-innovative solutions.

Geovita has three factories, all of which in Italy, specifically in Bruno, San Giovanni Lupatoto and Villanova Monferrato, and a headcount of 94. The Group paid 20,000 thousand euros for its 52% interest, 16,500 thousand euros of which was paid in 2017; payment of remaining 3,500 thousand euros is subject to delivery of certain targets between 2017 and 2019. The acquisition was financed from own funds. The Group took effective control of this business on August 1, 2017, which is the date of its first-time consolidation.

In addition, it has arranged a call option of the remaining 48% (exercisable by the other shareholder over a 10-year period from July 2021). The price of this option 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.

The preliminary estimated fair value of the net assets acquired at August 1, 2017 is as follows:

Acquisition of Geovita as of the acquisition date: Aug 1, 2017	**Thousands of euros**
Property, plant and equipment	13,197
Intangible assets: Trademarks and software	3,007
Other non-current assets	256
Inventories	5,298
Other current assets	7,670
Cash	951
Non-current provisions	-1,053
Financial liabilities	-12,421
Deferred income tax	-1,744
Other current liabilities	-9,381
Goodwill	32,682
Total net assets	**38,462**
Non-controlling interests	-18,462
Total Ebro Group investment	**20,000**

This business is estimated to have generated revenue during the annual reporting period of 46.5 million euros and profit during the year of 2.2 million euros.

Acquisition of Transimpex in Germany

In September 2017, through its wholly-owned Germany subsidiary, Ebro Foods Germany, Gmbh., the Group acquired 55% of Germany's Transimpex, mbH., also committing to acquire the outstanding 45%. This company is devoted to the production and sale of rice and pulses, mainly in Europe. It has a small factory in Ludwigshafen (Germany) and 44 employees.

The total investment for 100% of Transimpex amounted to 23,622 thousand euros, of which 9,361 thousand euros was paid in 2017. The Group has committed to pay the outstanding 14,261 thousand euros three years from the close, by September 30, 2020, from which date the sellers are free to exercise their put option at the amount of the deferred consideration described above plus 45% of retained earnings since the date of acquisition. The acquisition was financed from own funds. The Group took effective control of this business on October 1, 2017, which is the date of its first-time consolidation.

The preliminary estimated fair value of the net assets acquired at October 1, 2017 is as follows:

Acquisition of Transimpex as of the acquisition date: Oct 1, 2017	**Thousands of euros**
Property, plant and equipment	742
Intangible assets: Trademarks and software	87
Other non-current assets	0
Inventories	4,216
Other current assets	7,275
Cash	2,072
Non-current provisions	-1,216
Financial liabilities	0
Deferred income tax	0
Other current liabilities	-4,321
Goodwill	14,767
Total Ebro Group investment	**23,622**

This business is estimated to have generated revenue during the annual reporting period of 50.9 million euros and profit during the year of 2.5 million euros.

The Group expects to conclude the process of valuing and analyzing the assets acquired in the course of 2017 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 in the coming months.

There were no other significant changes in the Group's scope of consolidation during the reporting period.

6. SEGMENT REPORTING

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. 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.

Against this backdrop, the Ebro Foods Group has the following business lines 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.

There have been no changes in segmentation criteria or the criteria used to measure the segments' profit or loss in the current reporting period compared to the consolidated financial statements for the year ended December 31, 2016.

Thousands of euros

	Revenue					
	CONSOLIDATED					
	Revenue from third parties		Inter-segment revenue		Total revenue	
SEGMENT	2017	2016	2017	2016	2017	2016
RICE BUSINESS	1,294,335	1,229,119	50,691	54,734	1,345,026	1,283,853
PASTA BUSINESS	1,202,296	1,220,081	15,989	16,147	1,218,285	1,236,228
					0	0
					0	0
Other	10,338	10,046	5,702	6,496	16,040	16,542
					0	0
(-) Adjustments and eliminations in respect o inter-segment revenue			-72,382	-77,377	-72,382	-77,377
TOTAL	**2,506,969**	**2,459,246**	**0**	**0**	**2,506,969**	**2,459,246**

SEGMENT	Profit/(loss) CONSOLIDATED 2017	Profit/(loss) CONSOLIDATED 2016
RICE BUSINESS	170,267	175,087
PASTA BUSINESS	103,692	92,852
Total earnings of the reportable segments	**273,959**	**267,939**
(+/-) Earnings not allocated to operating segments	-9,828	-8,529
(+/-) Elimination of inter-segment earnings	0	0
(+/-) Other profit/(loss)	0	0
(+/-) Income tax and/or profit/(loss) from discontinued operations		
PROFIT/(LOSS) BEFORE TAX	**264,131**	**259,410**

Breakdown of revenue by geographical area	2017	2016
Spain	167,875	148,335
Exports:	**2,339,094**	**2,310,911**
a) European Union	1,224,007	1,174,479
b) OECD countries	939,006	969,925
c) Rest of the world	176,081	166,507
TOTAL	**2,506,969**	**2,459,246**

The breakdown of assets by geographical segment is as follows (thousands of euros):

Dec. 31, 2016 - By geographical area	Spain	Europe	Americas	Other	TOTAL
Intangible assets	33,500	156,164	274,442	122	464,228
Property, plant and equipment	65,002	375,723	270,566	26,161	737,452
Other assets	298,559	1,054,195	978,309	113,060	2,444,123
Total assets	**397,061**	**1,586,082**	**1,523,317**	**139,343**	**3,645,803**

Dec. 31, 2017 - By geographical area	Spain	Europe	Americas	Other	TOTAL
Intangible assets	44,057	151,853	232,200	138	428,248
Property, plant and equipment	67,126	397,973	262,724	30,916	758,739
Other assets	292,143	1,177,252	874,121	130,197	2,473,713
Total assets	**403,326**	**1,727,078**	**1,369,045**	**161,251**	**3,660,700**

7. NON-CURRENT ASSETS HELD FOR SALE AND PROFIT/(LOSS) AFTER TAX FROM DISCONTINUED OPERATIONS

At year-end 2017, the Group did not have significant amounts of non-current assets held for sale. Nor were material amounts of operations classified as discontinued operations in 2017.

8. OTHER OPERATING INCOME AND OTHER OPERATING EXPENSES

8.1 Other operating income

Other operating income includes the following less-recurring items:

- A gain of 8,862 thousand euros on investment properties sold (note 11): 6,065 thousand euros from the sale of the site of the former factory in Houston (USA); 2,746 thousand euros from the sale of a property in Portugal; and the rest from the sale of a small property in La Rioja (Spain).
- A gain of 1,476 thousand euros from items of property, plant and equipment sold (note 10), most notably a piece of property sold in Madrid.
- Income from the reversal of provisions for lawsuits of 385 thousand euros.
- The rest of other operating income relates to grants and minor other operating items.

8.2 Other operating expenses

The most significant less-recurring items included under other operating expenses are:

- A loss of 1,673 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 1,415 thousand euros.
- Charges for provisions and expenses for lawsuits with third parties in the amount of 2,060 thousand euros (note 19).
- A charge of 9,477 thousand euros for the impairment of several pasta brands in North America (note 9).
- Industrial restructuring charges and costs at certain centers totaling 3,864 thousand euros. This includes the cost of redundancies, expenses in respect of factories closed in prior years and logistical restructuring at warehouses.
- Non-recurring costs of 707 thousand euros derived from the effects of Hurricane Harvey on Houston and the surrounding area in September 2017.

9. INTANGIBLE ASSETS

The most significant movements under this heading during the year ended December 31, 2017:

- An increase of 2,462 thousand euros in relation to new intangible assets, mainly software purchases.
- A decrease of 31,276 thousand euros due to exchange losses.
- A decrease of 4,186 thousand euros on account of amortization charges for the period.

- An increase of 6,808 thousand euros due to business combinations (note 5).
- A decrease of 9,477 thousand euros as a result of the impairment of several 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 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 2017 revealed a shortfall in the recoverable amounts of four pasta brands in North America, to which end the above-mentioned impairment charge was recognized (note 8).
- The Group also derecognized intangible assets with a carrying amount of 311 thousand euros in 2017; it did not transfer any intangible assets.

10. PROPERTY, PLANT AND EQUIPMENT

The most significant movements under this heading during the year ended December 31, 2017:

- A decrease of 34,470 thousand euros due to exchange losses.
- A decrease of 75,485 thousand euros on account of depreciation charges for the period.
- Additions of 117,219 thousand related to capital expenditure, essentially investments in technical upgrades, expansion work and new facilities at the Group's various factories.
- An increase of 15,776 thousand euros due to business combinations (note 5).
- In 2017, the Group also derecognized assets with a carrying amount of 1,772 thousand euros.

Capital expenditure contracted for (machinery purchases and upgrades) at the end of the reporting period but not yet incurred totaled 12.5 million euros.

11. INVESTMENT PROPERTIES

The most significant movements under this heading in 2017 relate to the sale of a number of investment properties: specifically, a site in Houston (USA), a property in Portugal and a small property in La Rioja (Spain), which between them generated a pre-tax net gain of 8,862 thousand euros (note 8).

12. FINANCIAL ASSETS

The breakdown of this balance sheet heading (in thousands of euros) is as follows:

	Dec 31, 2017			Dec 31, 2106		
	Total	Non-current	Current	Total	Non-current	Current
Assets held for trading:	**1,095**	**1,095**	**0**	**1,361**	**1,349**	**12**
Available-for-sale financial assets	**0**	**0**	**0**	**0**	**0**	**0**
Held-to-maturity investments:						
- Deposits and guarantees	**4,191**	**3,069**	**1,122**	**3,869**	**2,325**	**1,544**
Loans and receivables:						
- Loans to associates	0	0	0	0	0	0
- Loans to third parties	35,602	28,088	7,514	33,925	30,414	3,511
	35,602	**28,088**	**7,514**	**33,925**	**30,414**	**3,511**
TOTAL FINANCIAL ASSETS	**40,888**	**32,252**	**8,636**	**39,155**	**34,088**	**5,067**

Loans to third parties

The year-on-year decrease in the balance of loans to third parties between December 31, 2016 and December 31, 2017 is the result of repayments collected in accordance with the corresponding loan schedules. The outstanding balance relates primarily to:

- The deferred portion of the purchase price for the Nomen brands under the agreement reached in 2012. That 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% and then again in 2017, extending the term a further two years and leaving the interest rate intact at 3.4%. The non-current portion of this vendor loan is 21,885 thousand euros and the current portion, 1,211 thousand euros. This loan accrues interest at a rate of 3.4% and the last instalment is due in September 2029. 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 5,216 thousand euros and the current portion, 1,802 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, 2019; 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.

- The balance of current loans also includes 4,500 thousand euros corresponding to a portion of the price at which one of the Portuguese properties was sold (note 11). That balance was collected in full in early January 2018.

There have been no other significant movements in other financial assets since December 31, 2016.

(THOUSANDS OF EUROS)

13. INVESTMENTS IN ASSOCIATES

The changes since December 31, 2016 are as follows:

Associate	Balance Dec 31, 2016	Additions due to investment	Decreases due to disposals	Dividends paid	Profit/(loss) for the year	Translation differences	Other movements	Balance Dec 31, 2017
Riso Scotti, S.p.a.	31,374			-750	800			31,424
Associates of Riviana Foods Inc.	5,829			-3,275	3,490	-718	0	5,326
Other companies	96						-91	5
	37,299	**0**	**0**	**-4,025**	**4,290**	**-718**	**-91**	**36,755**

14. GOODWILL

The main movements under this heading since December 31, 2016 include a decrease in exchange differences in respect of the Group's subsidiaries in the US and Canada of 47,397 thousand euros and the 56,726 thousand euros of additions in connection with the goodwill associated with the business combinations closed in 2017 (note 5).

As part of its procedure for testing its intangible assets for impairment, the Ebro Group tests its goodwill and other indefinite-lived intangible assets for impairment on an annual basis or whenever there are circumstances indicating that any of these assets may be impaired. Other than as disclosed in note 9 regarding the impairment charges recognized in 2017 against several pasta brands in North America, the Ebro Foods Group believes that its intangible assets present no indications of impairment at year-end 2017; moreover, the results of the remaining impairment tests performed in 2017 were satisfactory.

15. INVENTORIES

There were no significant changes in the provisions for inventory impairment in the year ended December 31, 2017.

16. EARNINGS PER SHARE AND DIVIDENDS

16.1 Earnings per share

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

(THOUSANDS OF EUROS)

	2017	2016
Profit from continuing operations attributable to ordinary equity holders of the parent	220,600	169,724
Profit/(loss) from discontinued operations attributable to ordinary equity holders of the parent	0	0
Profit attributable to ordinary equity holders of the parent	220,600	169,724
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)	220,600	169,724

	2017	2016
	Thousands	Thousands
Weighted average number of ordinary shares for basic EPS (*)	153,865	153,865
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	153,865

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

16.2 Dividends

Distribution of the dividends approved at the Annual General Meeting of June 1, 2017 at which the Company's shareholders ratified the motion to pay a cash dividend with a charge against unrestricted reserves and profit for 2016 of 0.57 euros per share, payable in the course of 2017.

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

17. OWN SHARES

In 2017, 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 2017, under the scope of the employee share plan, the Company bought back 51,673 shares, sold 25,000 and delivered 26,673 own shares to employees. The Company did not hold any own shares as treasury stock at December 31, 2017.

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

As compared to the situation at December 31, 2016, during the current reporting period there were no significant changes in these commitments, neither in the nature of the commitments or the amounts involved, except for the payments made in 2017 under the Deferred Annual Bonus Scheme tied to the Group's 2013-2015 Business Plan. These liabilities decreased slightly in certain countries in 2017 as a result of a small decrease in the discount rate applied (mainly the UK and to a lesser extent also Germany and France).

19. OTHER PROVISIONS

An analysis by underlying concepts (in thousands of euros):

Breakdown of other provisions by concept	Dec 31, 2017	Dec 31, 2016
Lawsuits and disputes	18,718	14,898
Modernization and restructuring plan	581	1,306
Sundry other contingencies of insignificant amount	1,280	2,294
	20,579	**18,498**

The most significant movements under this heading during the year ended December 31, 2017:

One of the provisioned items is the provision 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), specifically related to the reps and warranties extended to the buyers of these businesses, as 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. In addition to the accounting entries made in this regard in prior years, in relation to which there were no changes whatsoever, in 2017, the Group recognized additional provisions of 3,928 thousand euros as follows:

The last tax inspection of the Spanish tax group in respect of 2008 to 2011, both inclusive, concluded in May 2014. All of the assessments were paid (using financial criteria), including those signed under protest (albeit not the related fines). The assessments signed under protest have been appealed. In addition, the Company also signed assessments handed down in connection with the deduction accredited and applied as warranted in relation to the 2008 Volvo Ocean Race under protest. The amount contested, which applies from 2008 to 2010, totals 3,021 thousand euros. In this instance, the balance was provided for in prior years as the assessments had been appealed and the likelihood of winning this claim was deemed high due to the precedent set by National High Court rulings in favor of other taxpayers that had brought identical cases.

However, in July 2017, the Supreme Court ruled against the taxpayer in a very similar case. Therefore, the risk that the outcome of this process will not favor the tax group was reclassified from remote to probable and is now expected to possibly entail an outflow of resources. As a result, in 2017, the Group recognized an impairment provision of 3,928 thousand euros to cover this potential liability in full. The provision has been recognized with a charge against corporate income tax expense in the income statement (note 20).

20. INCOME TAX

The major components of income tax expense for the year ended December 31, 2017 are:

Thousands of euros	2017	2016
- Income tax expense for the year	86,816	85,080
a) Impacts of tax reforms in the US taking effect from Jan. 1, 2018	(50,631)	0
b) Impact of change in income tax rate in France	(3,759)	(5,191)
c) Impact of change in income tax rate in Italy	(2,197)	0
d) Deferred tax liabilities subject to reversal	0	3,702
e) Utilization of provision for tax assessments (note 21.1)	3,928	0
	34,157	83,591

Income tax expense for the year ended December 31 2017 is quantified on the basis of the best estimate of the weighted average tax rate (effective rate) expected to apply in the current annual reporting period, adjusted for application of prevailing tax provisions. The effective tax rate used in 2017 was 32.87% (32.80% in 2016).

a) Impact of the tax reforms in the US – at the end of December 2017, the US president passed a new tax law which introduced substantial changes. Among the reforms introduced it is worth highlighting the 14 point reduction in the federal corporate tax rate (from 35% to 21%) and the modification of the tax treatment of undistributed profits of subsidiaries outside of the US. At year-end 2017, the Group has recognized the impact of the reduction in the US federal corporate tax rate on its deferred tax assets and liabilities, along with the impact of the new tax treatment of the undistributed profits and earnings of foreign subsidiaries (outside of the US): these developments imply a 50,631 thousand euro reduction in income tax expense in the consolidated income statement, an increase in income tax expense in the consolidated statement of recognized income and expense of 2,060 thousand euros, a charge against translation differences of 2,940 thousand euros, the recognition of an account payable to the US federal tax authorities of 1,190 thousand euros, a 8,603 thousand euro decrease in deferred tax assets and a 55,424 thousand euros decrease in deferred tax liabilities.

b) Impact of the change in tax rate in France - the French government reduced the rate of corporate income tax in France at the end of 2016 and then again at the end of 2017, such that this rate has been set at 33.3% for 2016, 2017 and 2018, decreasing to 31% in 2019, to 28% in 2020, to 26.5% in 2021 and, finally, to 25% in 2022. The Group recognized the effects that the reduction in the income tax rate in France will have on its deferred taxes at year-end 2016 and again at year-end 2017.

c) Impact of the change in tax rate in Italy – Italy's main corporate income tax rate has been reduced from 27.5% to 24% from 2018. The Group recognized the effects that the reduction in the income tax rate in Italy will have on its deferred taxes at year-end 2017.

d) In Spain, Royal Decree-Law 3/2016 was published in the official state journal on December 3, 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.

   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.

21. BANK BORROWINGS

In terms of the Group's non-current borrowings, in 2017, it canceled an 80 million dollar loan, on the one hand, and renewed a 50 million euros loan, presented under current borrowings at year-end 2016, under a long-term arrangement, on the other. There were no other significant changes in non-current bank borrowings in 2017 with respect to year-end 2016.

As for current borrowings, the most significant developments in 2017 were the following:

- The Group renewed certain short-term credit facilities and arranged new lines of credit, mainly to fund its working capital requirements (inventories), obtaining an additional 116 million euros. However, the overall increase is not material in respect of total borrowings (the net impact - including current and non-current borrowings - is an increase of 27 million euros from year-end 2016).

- In general, the terms of credit eased very slightly compared to those in force at year-end 2016, and the same can be said of collateral and covenant requirements. The spreads applied to benchmark rates narrowed by between approximately 0.07 and 0.1 points on average year-on-year.

22. RELATED-PARTY TRANSACTIONS

The most significant related-party transactions are summarized in the following tables.

Unit: Thousands of euros RELATED-PARTY TRANSACTIONS EXPENSES AND INCOME:	CURRENT REPORTING PERIOD (2017)				
	Significant shareholders	Directors & officers	Group individuals, companies or entities	Other related parties	Total
1) Finance costs					**0**
2) Management and collaboration agreements					**0**
3) R&D transfers and license agreements					**0**
4) Leases		381			**381**
5) Purchase of services		115		291	**406**
6) Purchase of goods (finished and in-progress)		10,753			**10,753**
7) Impairment losses for receivables (uncollectible or doubtful)					**0**
8) Losses on derecognition or disposal of assets					**0**
9) Other expenses					**0**
EXPENSES (1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9)	**0**	**11,249**	**0**	**291**	**11,540**
10) Finance income					0
11) Management and collaboration agreements					0
12) R&D transfers and license agreements					0
13) Dividends received					0
14) Leases					0
15) Services rendered		12		2	14
16) Sale of goods (finished and in-progress)	5,152	1,826			6,978
17) Gains on derecognition or disposal of assets					0
18) Other income					0
INCOME (10 + 11 + 12 + 13 + 14 + 15 + 16 + 17 + 18)	**5,152**	**1,838**	**0**	**2**	**6,992**

OTHER TRANSACTIONS:	CURRENT REPORTING PERIOD (2017)				
	Significant shareholders	Directors & officers	Group individuals, companies or entities	Other related parties	Total
Purchase of PP&E, intangible and other assets					0
Financing agreements: loans and capital contributions (lender)					0
Finance lease agreements (lessor)					0
Repayment or cancellation of loans and lease agreements (lessor)					0
Sale of PP&E, intangible and other assets		2			2
Financing agreements: loans and capital contributions (borrower)					0
Finance lease agreements (lessee)					0
Repayment or cancellation of loans and lease agreements (lessee)					0
Guarantees and sureties extended					0
Guarantees and sureties received					0
Commitments assumed					0
Commitments / guarantees cancelled					0
Dividends and other profits distributed	12,700	40,637		2	53,339
Other transactions					0

Unit: Thousands of euros RELATED-PARTY TRANSACTIONS EXPENSES AND INCOME:	PRIOR REPORTING PERIOD (2016)				
	Significant shareholders	Directors & officers	Group individuals, companies or entities	Other related parties	Total
1) Finance costs					**0**
2) Management and collaboration agreements					0
3) R&D transfers and license agreements					0
4) Leases		290			290
5) Purchase of services		319		318	637
6) Purchase of goods (finished and in-progress)	3,634	14,695			18,329
7) Impairment losses for receivables (uncollectible or doubtful)					0
8) Losses on derecognition or disposal of assets					0
9) Other expenses					0
EXPENSES (1 + 2 + 3 + 4 + 5 + 6 + 7 + 8 + 9)	**3,634**	**15,304**	**0**	**318**	**19,256**
10) Finance income					0
11) Management and collaboration agreements					0
12) R&D transfers and license agreements					0
13) Dividends received					0
14) Leases					0
15) Services rendered					0
16) Sale of goods (finished and in-progress)	5,334	1,650			6,984
17) Gains on derecognition or disposal of assets					0
18) Other income		6			6
INCOME (10 + 11 + 12 + 13 + 14 + 15 + 16 + 17 + 18)	**5,334**	**1,656**	**0**	**0**	**6,990**

OTHER TRANSACTIONS:	PRIOR REPORTING PERIOD (2016)				
	Significant shareholders	Directors & officers	Group individuals, companies or entities	Other related parties	Total
Purchase of PP&E, intangible and other assets					0
Financing agreements: loans and capital contributions (lender)					0
Finance lease agreements (lessor)					0
Repayment or cancellation of loans and lease agreements (lessor)					0
Sale of PP&E, intangible and other assets					0
Financing agreements: loans and capital contributions (borrower)					0
Finance lease agreements (lessee)					0
Repayment or cancellation of loans and lease agreements (lessee)					0
Guarantees and sureties extended					0
Guarantees and sureties received					0
Commitments assumed					0
Commitments / guarantees cancelled					0
Dividends and other profits distributed	16,646	31,038			47,684
Other transactions					0

Other disclosures:

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.

Riso Scotti S.p.A. is an Italian company whose corporate purpose is analogous to that of Ebro Foods, S.A.

The Chairman of the Parent's Board of Directors, Antonio Hernández Callejas, is a director of Riso Scotti, S.p.A., and in his capacity as such received the sum of 5,200 euros in attendance fees in 2017 (2016: 5,200 euros).

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 2017 and 2016 (amounts in thousands of euros):

Ebro Group company with which the transaction was performed	Type of transaction	Amount 2017	Amount 2016
Herba Ricemills, SLU	Purchase of goods (finished and in-progress)	176	367
Herba Ricemills, SLU	Services rendered (income)	0	9
Herba Ricemills, SLU	Sale of goods (finished and in-progress)	103	204
Herba Ricemills, SLU	R&D transfers and license agreements	9	0
Herba Ricemills, SLU	Other income	5	0
Mundiriso, SRL	Purchase of goods (finished and in-progress)	185	0
Mundiriso, SRL	Sale of goods (finished and in-progress)	2,807	0
Arrozeiras Mundiarroz, SA	Purchase of goods (finished and in-progress)	51	0
Herba Ingredients BV	Purchase of goods (finished and in-progress)	59	0
Riceland Magyarorszag, KFT	Purchase of goods (finished and in-progress)	129	0
Ebro Foods, SA	Dividends received	750	509
Ebro Foods, SA	Services rendered (income)	6	0

Lastly, director and officer remuneration is summarized in the next table:

DIRECTORS:	**Amount (thousands of euros)**	
Type of remuneration:	**Year ended 31/12/2017**	**Year ended 31/12/2016**
Fixed remuneration	1,027	1,013
Variable remuneration	1,501	1,644
Attendance fees	277	287
Bylaw-stipulated remuneration	2,728	2,728
Transactions with shares and/or other financial instruments	-	-
Other	-	-
TOTAL	**5,533**	**5,672**
Other benefits:		
Prepayments	-	-
Loans granted	-	-
Pension plans and funds: contributions	-	
Pension plans and funds: obligations contracted	-	-
Life insurance premiums	-	-
Guarantees extended by the company on behalf of directors	-	-

	Amount (thousands of euros)	
OFFICERS:	**Year ended 31/12/2017**	**Year ended 31/12/2016**
Total remuneration received by officers	2,219	2,164

In terms of the disclosures corresponding to officers, note that the amounts shown include the dividends and remuneration of all of the officers of Ebro Foods, S.A., "officers" understood to mean the professionals in charge of the main departments of Ebro Foods, S.A., irrespective of whether they have a special senior management employment agreement with the Company. Note that this group of officers includes the Chief Operating Officer (COO) of the Ebro Group.

23. FINANCIAL INSTRUMENTS

The Group is somewhat exposed to the commodity markets and its ability to pass price changes on to its customers. It is also exposed to fluctuations in exchange rates, particularly the US dollar, and to movements in interest rates. The Group regularly reassesses its exposure to these risks and their potential impact on its key earnings and financial position indicators and strategy. Average euro/US dollar rates were not significantly different year-on-year in 2017, so that the impact of exchange differences was not significantly different than in 2016. However, currency movements did have an adverse impact on the net debt balance at year-end as, for the first time in recent years, the Group had a net cash balance in US dollars and the closing exchange rate was less favorable than at year-end 2016.

The main financial instruments used by the Group are bank loans, bank overdraft facilities, forward agreements, cash and short-term deposits. In addition, the Group has other financial assets and liabilities such as trade accounts receivable and payable. It arranges derivative financial instruments, mainly forward currency sale-purchase agreements, and occasionally writes options over interest and exchange rates. The aim of these transactions is to manage the foreign currency and interest rate risk arising from the Group's business activities and sources of financing.

During 2017 there were no major movements in the arrangement or performance of the financial instruments in place at year-end 2016.

Foreign currency risk

Other borrowings at December 31, 2017 include a loan of 171 million US dollars (year-end 2016: 251 million dollars) that has been designated as a hedge of net investments in the Group's US subsidiaries and is used to hedge its exposure to US dollar foreign exchange rate risk on these investments.

The gains or losses on translation 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.

Some companies within the Rice Segment such as Herba Ricemills, S&B (UK), Herba Ingredients (Netherlands), TBA UK, Euryza (Germany), Herba Bangkok and the Panzani subgroup hold futures and options over foreign currencies to mitigate the impact of exchange rates on their business transactions that do not quality for hedge accounting. The notional amounts of the related contracts outstanding at December 31, 2017:

Currency (thousands)	Notional amount
USD	91,073
EUR	8,615
GBP	578
TBH	418,600

Fair value of financial instruments

The table below breaks down the Group's financial assets and liabilities at December 31, 2017 (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.

	Carrying amount at year-end 2017
Financial assets	
Loans	28,088
Equity instruments	37,821
Other instruments	3,098
TOTAL NON-CURRENT	**69,007**
Loans	7,514
Other instruments	1,122
Derivatives	146
TOTAL CURRENT	**8,782**
Financial liabilities	
Borrowings	365,163
Other financial liabilities	107,190
TOTAL NON-CURRENT	**472,353**
Borrowings	308,216
Other financial liabilities	1,978
Derivatives	4,293
TOTAL CURRENT	**314,487**

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

(THOUSANDS OF EUROS)

	Year-end 2017	Level 1	Level 2	Level 3
Financial assets				
Equity instruments	-	-	-	-
Derivatives	146	-	146	
Financial liabilities				
Other financial liabilities	97,192	-	-	97,192
Derivatives	4,293	-	4,293	-

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 the reporting period.

Amendments to IAS 7 *Statement of cash flows: Disclosure initiative*

As indicated in note 2.d, the amendments to IAS 7 require reporters to provide relevant information that enables financial statement users to evaluate changes in liabilities arising from financing activities, distinguishing between changes that involve cash flows and changes that do not (such as foreign exchange gains or losses). Comparative information is not required in the year the amendments are first applied so that the Group is providing these disclosures for the current reporting period only.

Financial liabilities Reconciliation of flows - 2017	**Dec 31, 2016**	Cash flows	Movements in for. currency	Changes in fair value	Business combinations	**Dec 31, 2107**
Short-term loans	239,984	65,713	-3,175	0	5,694	308,216
Long-term loans	406,607	-19,750	-27,719	0	6,025	365,163
Derivatives	1,104	-498	0	3,687	0	4,293
Other financial liabilities	90,760	0	0	3,372	14,938	109,070
Guarantees and deposits receive	99	0	-1	0	0	98
Total liabilities arising from financing activities	**738,554**	**45,465**	**-30,895**	**7,059**	**26,657**	**786,840**

24. EVENTS AFTER THE REPORTING PERIOD

Bertagni.

As part of its ongoing strategic bid to become a global benchmark in the premium food business, the Ebro Group, through two of its subsidiaries, Panzani, S.A.S. and Pastificio Lucio Garofalo, S.p.A., has entered into a binding agreement for the acquisition of a majority interest (70%) in Italy's Bertagni 1882, S.p.A ("Bertagni").

Bertagni, with factories in Vicenza and Alvio (Italy) and a headcount of 275, is known as the oldest filled pasta brand in Italy. An expert in the production of fresh pasta in the premium segment, it boasts deep know-how and a terrific portfolio of products. In 2017, it generated revenue of over 70 million euros, over 90% of which outside of Italy. With the aim of guaranteeing the company's continued success, its current shareholders and managers, Antonio Marchetti and Enrico Bolla, will retain ownership of the other 30% of Bertagni and will continue to manage the business in the autonomous, professional and innovative manner they have done to date, taking advantage of the synergies brought by membership of the Ebro Group in parallel. The transaction price valued Bertagni at 130 million euros (100% of its equity, i.e., before any potential adjustments for debt).

This transaction has to be authorized by the anti-trust authorities and is expected to close in the first quarter of 2018.

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