

# 01

## Annual Report

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# Key indicators 2017



## *Business*

27 Companies  
80 Countries  
57 Plants  
More than 80 Brands



## *Social Commitment*

€ 1,655,000 in food donations  
€ 599,000 in welfare programmes  
65 projects developed  
SERES 2017 award to the EKTA project



## *Economic (mill. €)*

2,506.969 Net sales  
359 EBITDA  
220.6 Net profit  
88 Dividends paid



## *Environment*

€2,948,254 Environmental costs and investment  
1.66 GJ/t product, Energy intensity  
0.18 t CO<sub>2</sub>-eq/t product, GHG emissions intensity

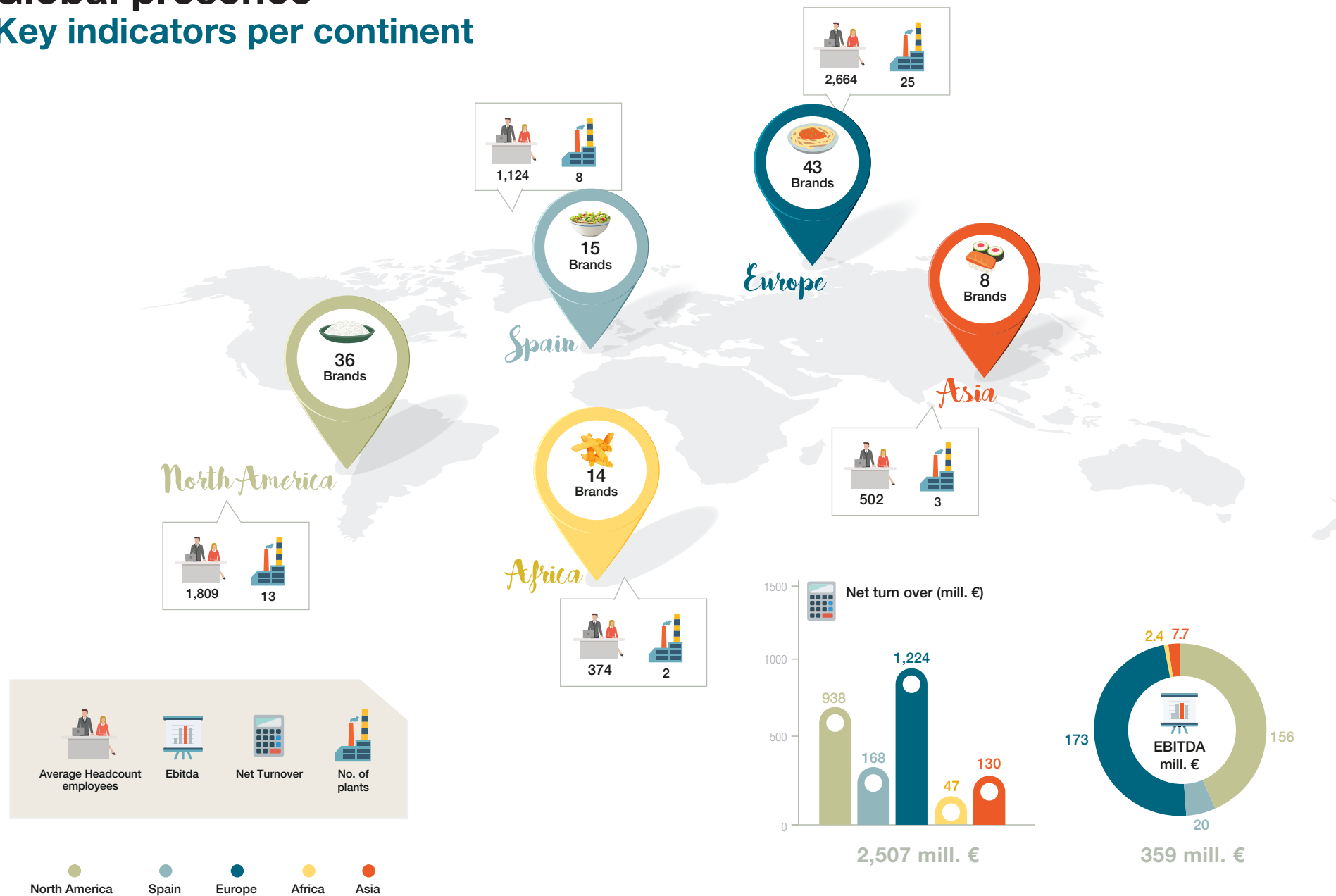


## *Human Capital*

6,473 Average total workforce  
70.49% Men  
29.51% Women  
130,220 Hours training given

# Global presence

## Key indicators per continent



## Countries with Commercial and Industrial Presence



Canada  
United States



Belgium  
Denmark  
France  
Germany  
Italy

Netherlands  
Portugal  
Spain  
United  
Kingdom



Egypt  
Morocco



Cambodia  
India  
Thailand

## Others Countries with Commercial Presence

Bahamas  
Belize  
Barbados  
Brazil  
Chile  
Colombia  
Curacao  
Haiti  
Jamaica  
Mexico  
Panama  
Peru  
St Lucia  
St Martin  
Trinidad & Tobago

Austria  
Slovakia  
Estonia  
Finland  
Greece  
Hungary  
Iceland  
Lithuania  
Poland  
Czech Republic  
Romania  
Rusia  
Sweden  
Switzerland  
Ukraine

Algeria  
Angola  
Benin  
Burkina Faso  
Ivory Coast  
Gabon  
Ghana  
Guinea  
Réunion  
Libya  
Madagascar  
Mauritius  
Mauritania  
Mozambique  
Niger  
Rep. of the Congo  
Senegal  
South Africa  
Tunisia  
Djibouti  
Turkey

Saudi Arabia  
Bahrain  
Cambodia  
South Korea  
United Arab  
Emirates  
Indonesia  
Israel  
Japan  
Jordan  
Kuwait  
Lebanon  
Oman  
Qatar  
Taiwan  
Yemen





# Financial highlights



## Consolidated figures (000€)

	2015	2016	2016-2015	2017	2017-2016	CAGR 2017-2015
Net turnover	2,461,915	2,459,246	(0.1%)	2,506,969	1.9%	0.9%
Advertising	(87,017)	(100,401)	(15.4%)	(93,134)	7.2%	3.5%
EBITDA	314,724	344,141	9.3%	359,000	4.3%	6.8%
EBIT	246,314	267,308	8.5%	279,314	4.5%	6.5%
Operating profit	242,377	264,608	9.2%	271,079	2.4%	5.8%
Consolidated earnings (Continuing operations)	150,688	175,819	16.7%	229,974	30.8%	23.5%
Net earnings on discontinued operations	0	0	0	0		
Net profit	144,846	169,724	17.2%	220,600	30.0%	23.4%
Average working capital	482,300	461,991	4.2%	506,803	(9.7%)	
Capital employed	1,579,447	1,611,272	(2.0%)	1,678,670	(4.2%)	
ROCE <sup>(1)</sup>	15.6	16.6		16.6		
Capex <sup>(2)</sup>	81,466	107,725	32.2%	120,671	12.0%	
Average headcount	5,759	6,195	7.6%	6,521	5.3%	

	2015	2016	2016-2015	2017	2017-2016
Equity	1,966,259	2,079,326	5.8%	2,074,637	(0.2%)
Net Debt	426,280	443,206	(4.0%)	517,185	(16.7%)
Average Debt	424,940	404,137		426,042	
Leverage <sup>(3)</sup>	0.22	0.19		0.21	
Total Assets	3,403,676	3,645,478	7.1%	3,660,700	0.4%

(1) ROCE = (Operating income CAGR last 12 months / (intangible assets - property, plant & equipment - working capital))

(2) Capex as cash outflow from investing activities

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





## Stock market highlights (000€)

	2015	2016	2016-2015	2017	2017-2016
Number of shares	153,865,392	153,865,392	0.0%	153,865,392	0%
Market capitalisation at year-end	2,780,348	3,063,460	10.2%	3,003,452	(2.0%)
EPS	0.94	1.10	17.2%	1.43	30.0%
Dividend per share	0.66	0.54	(18.2%)	0.57	5.6%
Theoretical book value per share	12.78	13.51	5.8%	13.48	(0.2%)



## Rice Business (000€)

	2015	2016	2016-2015	2017	2017-2016	CAGR 2017-2015
Net turnover	1,287,726	1,283,853	(0.3%)	1,345,026	4.8%	2.2%
Advertising	(28,988)	(30,135)	(4.0%)	(33,466)	(11.1%)	7.4%
EBITDA	176,959	196,264	10.9%	205,988	5.0%	7.9%
EBIT	147,509	163,561	10.9%	172,522	5.5%	8.1%
Operating profit	148,600	169,240	13.9%	174,027	2.8%	8.2%
Capex	39,555	47,391	19.8%	65,807	38.9%	29%



## Pasta Business (000€)

	2015	2016	2016-2015	2017	2017-2016	CAGR 2017-2015
Net turnover	1,224,491	1,236,227	1.0%	1,218,285	(1.5%)	(0.3%)
Advertising	(58,231)	(70,840)	(21.7%)	(66,154)	6.6%	6.6%
EBITDA	148,647	157,089	5.7%	162,977	3.7%	4.7%
EBIT	110,477	113,544	2.8%	117,420	3.4%	3.1%
Operating profit	104,957	93,294	(11.1%)	102,032	9.4%	(1.4%)
Capex	40,683	59,701	46.7%	52,885	(11.5%)	14%

# Chairman's Statement



**Antonio Hernández Callejas**

**Dear *stakeholders*,**

On the whole, 2017 was a year of optimism, stimulated by an upturn in the global economy, as investment picked up and world trade increased. The overall feeling is favourable and this is reflected by the confidence indicators, as geopolitical and financial uncertainties fade (although some still persist).

The average GDP growth in the eurozone was 2.4%, 0.7% higher than expected, with a more homogenous distribution of growth and a positive performance by emerging economies (Poland, Czech Republic, Hungary and Romania). Annual GDP growth in the United States (2.5%) was higher than expected, demonstrating the strength of an economy at an advanced stage of the business cycle, where the recent approval of a major fiscal reform seeks to maintain its growth.

The trends in consumer habits that began in the previous year continued throughout 2017. Consumers still prefer natural, healthy, organic food and are willing to pay a higher price for products that give them something extra, whether in quality, easy preparation or ready-to-eat.

At the same time, the new generations, the barrage of new technologies and the development of e-commerce, especially by giants such as Amazon or Alibaba, are bringing radical changes to mass consumption. We have a new digital ecosystem (in which social networks play an extremely important role), which has broken through the barriers with the physical, real world of shops. A new kind of consumer has emerged, much more reflexive, multi-channel, informed and hyper-connected, who likes to interact with brands, search and compare on Internet and hear the opinions of other consumers.

These new purchasing attitudes have also reached the food sector, albeit somewhat more slowly. So in Ebro we have taken inspiration from this digital transformation and designed a strategy to constantly and actively listen to consumers with a view to enhancing our relations with them, speaking their language and positioning ourselves in the channels they use.

Focusing now on the Group's development, we achieved highly satisfactory results in 2017: we set a very strong minimum profitability with an EBITDA of €359 million; we consolidated the equity of our brands, as confirmed by our growth in market shares; and we stepped up our investments in the health segment, with the acquisitions of BIA and Vegetalia, which, together with Celnat, have strengthened our recently created ECO

Division. We also enhanced the differentiation of our portfolio by incorporating the Italian functional ingredients company Geovita; and we continued our strong organic growth, with a CAPEX of €133 million.

The commodity markets (wheat and rice) were relatively stable during the year, apart from a few exceptions, with abundant harvests and an ease in the demand for fuel production (thanks to the level of oil prices). Durum wheat prices remained at around 225 €/tonnes, with a spike in the summer months until commencement of the new harvest, which was particularly big in the USA and Canada. In rice, the large stocks of the Thai government ran out during the year, giving rise to a more inflationary environment in the second half of the year, especially for the aromatic rice varieties Basmati and Jasmine, whose prices hiked by over 30% after years at low levels.

Against this backdrop, the Rice Division achieved very satisfactory results, underpinned by the good business performance in both Europe and North America. In Europe, we launched over 80 products in the health and convenience segments. In Spain, we highlight the excellent performance of the aromatic rices, the Sundari® specialties, the new range of healthy grains of SOS Vidasania® and the pulse-grain mixes sold under the Brillante Benefit® brand. In the United States, Riviana posted record profits despite the effects of Hurricane Harvey, which hampered product deliveries in the fourth quarter. The microwave products, sold under the Minute® brand, hit double digit growth.

The Pasta Division also achieved a positive development, which could have been even better had the price of the raw material not spiked during the summer. Panzani managed a very positive performance in the categories with highest value added; Garofalo maintained its double digit growth, confirming its premium positioning, and started distributing its products in the USA through our subsidiary Riviana; and in the North American market, which shrank by 1.3% during 2017, our brands increased their market shares. Satisfactory results were achieved in the health categories, especially gluten free and super greens.



On the stock market, the value of our share rose 1.2% during the year. Over the same period, Ibex 35 rose by 6.6%, Ibex Med by 2.8% and Eurostoxx Food and Beverage by 9.2%.

In Corporate Social Responsibility, we continued working on the implementation of sustainability throughout our value chain, investing heavily in sustainable agriculture, environmental efficiency, training and the professional development of our human team, as well as in the socioeconomic development of our local communities. In this regard, I would like to mention the award granted by the Seres Foundation to our EKTA project (Ebro India Kissan Training & Awareness Program), an initiative providing technical training for growers in Haryana, India, where we have been operating since 2013. The programme is aligned with the Group's commitment to the sustainability of its raw material and the fostering of sustainable crops in our sourcing regions.

In short, we closed a very complete, highly satisfactory year in 2017, with our sights set on continuing during 2018 to consolidate the results obtained and our leadership in our core businesses. Our recent acquisition of 70% of the Italian premium fresh pasta company "Bertagni 1882" was a move in this direction.



# The company

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**Mission, vision  
and values**

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**Ethics and  
integrity**

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**3**

**Operating  
companies**

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**4**

**Industrial  
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# 1

## Mission, vision and values



# 1

Leading Group in the Spanish food sector

# 2

Global leader of the rice sector

# 3

Number two pasta manufacturer worldwide

# 4

Leader of the Markets in which we operate

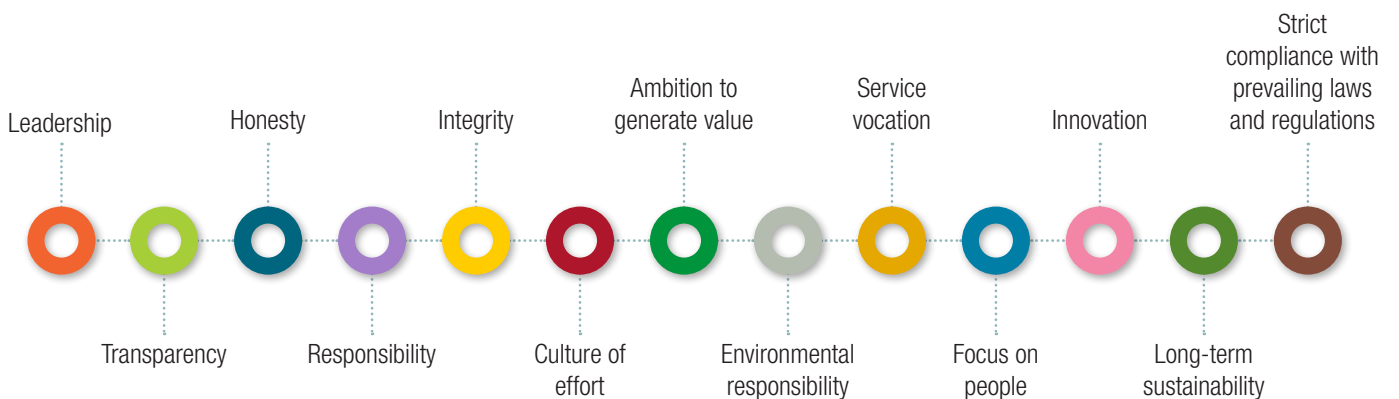


## Mission, vision and values

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

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

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



# 2 Ethics and Integrity



## Ethics and Integrity

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

### EBRO FOODS GROUP CODE OF CONDUCT

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

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

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

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

All those falling within the scope of application of the Code, as per point 4 thereof, are bound to comply and contribute towards compliance with it. Nobody, regardless of their position within the Group, is authorised to require a person bound by the Code to breach the contents thereof. No relevant person may justify any malpractice or conduct infringing the COC alleging an order from a superior or ignorance of its contents.

In this regard, any person bound by the Code may report, under a guarantee of absolute confidentiality, any default or infringement of any of its principles. A reporting channel is established for this purpose, as follows:

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



The full text of the Code of Conduct and the guidelines laid down for its implementation and application are available for consultation by any of our stakeholders through the corporate Intranet and the Group's website, specifically within the section Corporate Social Responsibility <http://www.ebrofoods.es/en/corporate-social-responsibility/code-of-conduct/>.

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

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

## **INTERNAL CODE OF MARKET CONDUCT**

This Code, approved by the Board of Directors of Ebro Foods, S.A. in November 2015, modifies and replaces the previous one, in force from 2006. The Code is included in a process of actions taken by the Company within the framework of constant review of its internal regulations to adjust them to the legal provisions and CNMV criteria in place from time to time.

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

In this regard, Relevant Persons are:

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

The Code is applicable to the following subject matter:

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

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

# 3 Companies performing the business





## Companies performing the business

The details of all the subsidiaries and associates of the Ebro Foods Group and the interest held by the latter in each one are set out in the consolidated financial statements (see Note 4 to the Consolidated Annual Accounts for the year ended 31 December 2017).

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

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

Three new businesses joined the Group in 2017:

 <p>In January we acquired Vegetalia, a company engaged in the production and distribution of a broad array of organic products and pioneer in the manufacturing of plant protein. Its portfolio includes products ranging from fresh organic food to dry organic food, organic beverages and dietetic food.</p> <p><b>Transaction price</b> <b>€ 14.7 million</b></p>	 <p>In September we incorporated 52% of the Italian company Geovita into our Group. Geovita is leader in the production and marketing of pulses, rice and quick cooking grains.</p> <p><b>Transaction price</b> <b>€16.5 million</b></p>	 <p>In the same month, through our subsidiary Ebro Foods Germany, we acquired 55% of the German company Transimpex, engaged primarily in the importing of rice, rice products and pulses. Transimpex has a major presence in German-speaking markets, especially in the industrial and food service channels, in both conventional and organic products.</p> <p><b>Transaction price</b> <b>€9.4 million</b></p>
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# 4 Industrial infrastructure



## Industrial infrastructure

The Ebro Group has, through its subsidiaries, 57 industrial plants in 16 different countries.

### 1 GERMANY

Lambsheim

Offingen

### 2 BELGIUM

Amberes (4 plants)

### 3 CAMBODIA

Nom Pen

### 4 CANADA

Montreal

Hamilton

Delta

### 5 DENMARK

Orbaek

### 6 EGYPT

Mansoura

### 7 SPAIN

San Juan de Aznalfarache

Coria del Río

Jerez de la Frontera

Silla

Algemesí

L'Aldea

La Rinconada

Los Palacios

Castelleir

Loranca de Tajuña

### 8 UNITED STATES

Alvin

Carlisle

Brinkley

Clearbrook

Freeport

Memphis

Crowley

Fresno

St. Louis

Winchester

### 9 FRANCE

Communay

Gennevilliers

Nanterre

Saint Genis Laval

Lorette

Saint Just

Vitrolles

Littoral

La Montre

Feillens

Saint-Germain-Laprade

### 10 NETHERLANDS

Wormer (2 plants)

### 11 INDIA

Taraori

### 12 ITALY

Gragnano

Bruno

San Giovanni Lupatoto

Villanova Monferrato

Vercelli

### 13 MOROCCO

Larache

### 14 PORTUGAL

Coruche

### 15 UNITED KINGDOM

Liverpool

Cambridge

Beckley

### 16 THAILAND

Bangkok



# Governance Model

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**Governance  
bodies**

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**Ownership  
structure and  
stock  
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**3**

**Risk  
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# 1 Governance bodies



## Governance bodies

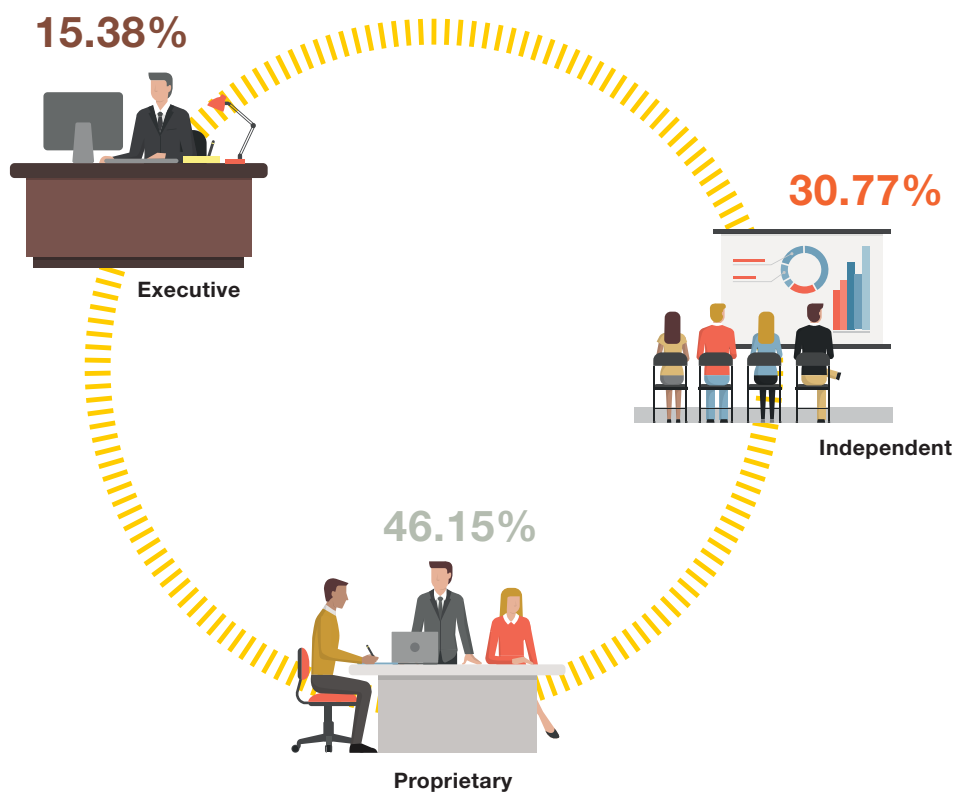
The governance bodies of Ebro Foods, S.A. are the General Meeting of Shareholders and the Board of Directors.

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

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

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


At 31 March 2018, the Board of Directors of Ebro Foods has twelve out of a total of thirteen members, two of whom are executive directors, six are proprietary directors and four are independent directors.





The following table shows the composition of the Board at 31 March 2018 and any changes that have taken place between 1 January 2017 and that date.

#### CHAIRMAN

Antonio Hernández Callejas   Executive

#### VICE-CHAIRMAN

Demetrio Carceller Arce    Proprietary

#### MEMBERS

Alimentos y Aceites, S.A.

Represented by Concepción Ordiz Fuertes

Proprietary

Belén Barreiro Pérez-Pardo  
(Director since 25-01-2017)

 Independent

María Carceller Arce  
(Director since 21-03-2018)

Proprietary

Fernando Castelló Clemente

  Independent

Jose Ignacio Comenge Sánchez - Real  
(Lead Independent Director since 29-03-2017  
replacing José Antonio Segurado García)

 Independent

Mercedes Costa García

  Independent

Corporación Económica Delta, S.A.  
Represented by María Carceller Arce  
(Director up to 21-03-2018)

Proprietary

Corporación Financiera Alba, S.A.  
Representado por Javier Fernández Alonso  
(Consejero hasta 31-1-2018)

  Proprietary

Empresas Comerciales e Industriales Valencianas, S.L.  
Represented by Javier Gómez-Trenor Vergés (since 29-03-2017,  
after the death of Juan Luis Gómez-Trenor Fos in January 2017)

Proprietary

Javier Fernández Alonso  
(Director up to 31-01-2018)

Independent

Grupo Tradifín, S.L.  
Represented by Blanca Hernández Rodríguez

  Proprietary

Hercalanz Investing Group, S.L.  
Represented by Félix Hernández Callejas

 Executive<sup>1</sup>

August Oetker  
(Director up to 01-06-2017)

Proprietary

José Antonio Segurado García  
Deceased 16-2-2017

Independent

#### NON-DIRECTOR SECRETARY

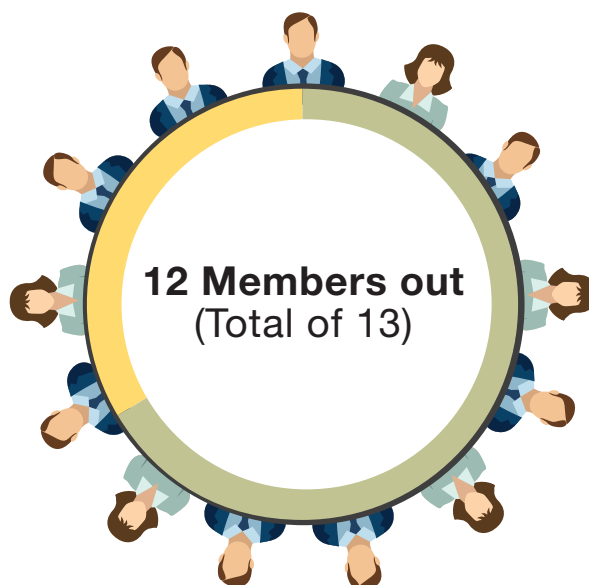
Luis Peña Pazos

#### NON-DIRECTOR VICE-SECRETARY

Yolanda de la Morena Cerezo

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

With this composition of the board: (i) the four independent directors represent 30.77% of the total directors (33.33% considering only the twelve positions filled), so Ebro, considered a low cap company, complies with the recommendation of the Good Governance Code that the number of independent directors should represent at least one-third of the total directors; and (ii) women account for 38.46% of the total board members (41.67% considering only the twelve positions actually filled). This is a larger portion than the target set in the Policy for Selecting Directors, according to which by 2020 the gender least represented on the board should account for at least 30% of the total board members. That target was reached in January 2017 and reinforced in June 2017.



**53.84%**



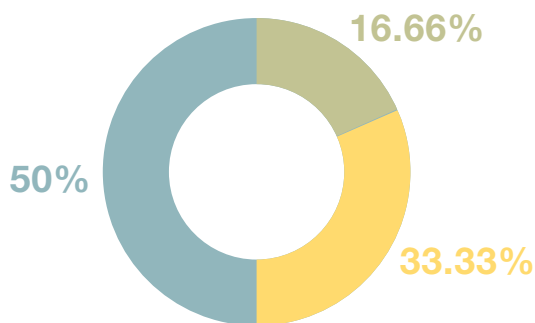
**38.46%**

**58.33%**

Individual members

**41.66%**

Corporate members



**Aged 35-45**

**Aged 45-55**

**Aged over 55**



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

At 31 March 2018, the composition of the four Committees is as follows



#### **EXECUTIVE COMMITTEE**

Antonio Hernández Callejas (Chairman)

Demetrio Carceller Arce

Corporación Financiera Alba, S.A.  
Represented by Javier Fernández Alonso

José Antonio Segurado García (up to 16-02-2017)



#### **NOMINATION AND REMUNERATION COMMITTEE**

Fernando Castelló Clemente (Chairman)

Demetrio Carceller Arce

Grupo Tradifín, S.L.  
Represented by Blanca Hernández Rodríguez

Mercedes Costa García



#### **AUDIT AND COMPLIANCE COMMITTEE**

José Ignacio Comenge Sánchez-Real (Chairman)

Fernando Castelló Clemente

Mercedes Costa García

Grupo Tradifín, S.L. Represented by  
Blanca Hernández Rodríguez

Belén Barreiro Pérez-Pardo



#### **STRATEGY AND INVESTMENT COMMITTEE**

Demetrio Carceller Arce (Chairman)

Antonio Hernández Callejas

Hercalanz Investing Group, S.L.  
Represented by Félix Hernández Callejas

Corporación Financiera Alba, S.A.  
Represented by Javier Fernández Alonso

# 2 Shareholding structure and share performance



## Shareholding structure and share performance

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

The details of the capital represented on the board as at 31 December 2017 are shown below:

SCALE OF PERCENTAGE INTERESTS IN THE CAPITAL	NUMBER OF CONTROLLING SHAREHOLDERS AND/OR DIRECTORS WITH AN INTEREST IN THE CAPITAL	TOTAL PERCENTAGE OF CAPITAL
≥ 10,00%	3	33.87%
≥ 5.00% < 10.00%	3	23.75%
≥ 3.00% < 5.00%	0	0.00%
< 3.00%	6 (*)	4.53%

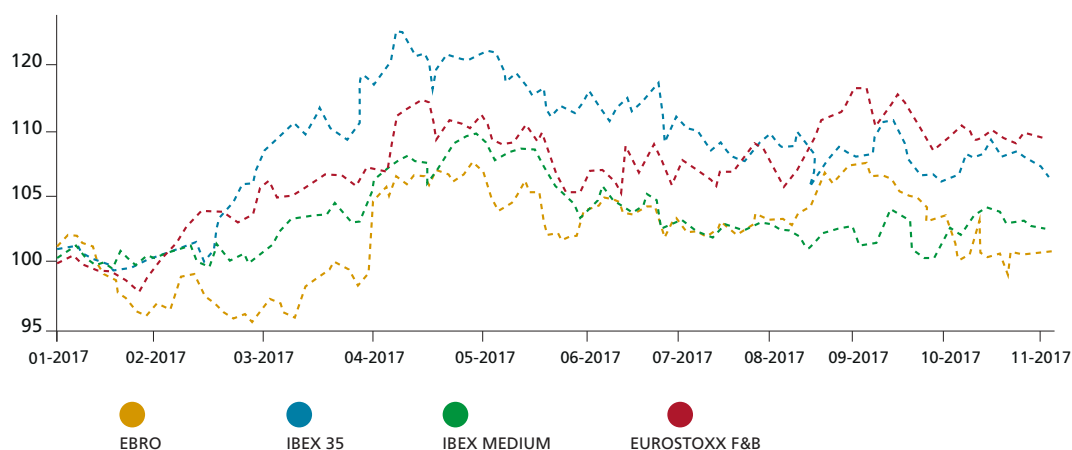
(\*) None of these six directors is a significant shareholder because the stake each holds in the capital is less than 3%.

At 31 March 2018, 62.15% of the share capital was represented on the board, while the free float was estimated at 37.85%.

### SHARE PERFORMANCE

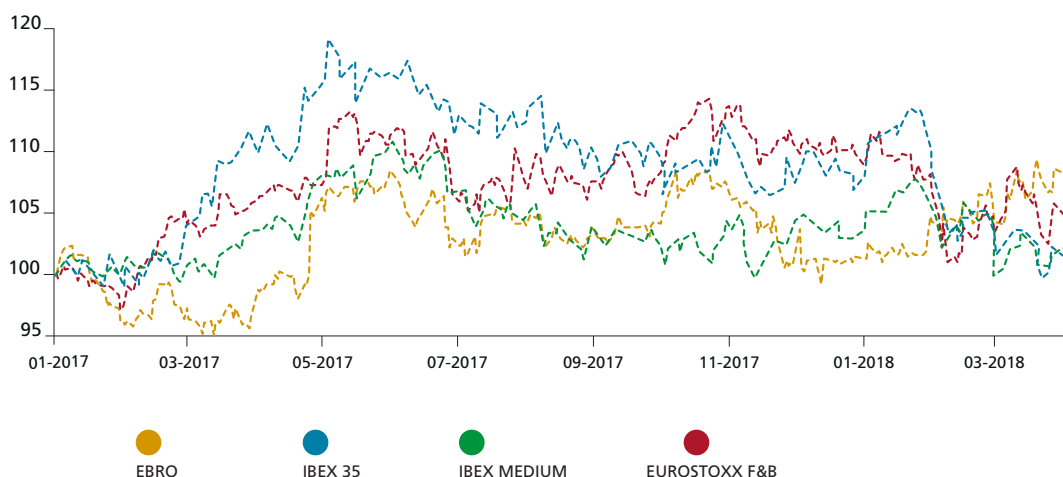
During 2017, the value of the Ebro Foods share rose by 1.2%. Over the same period, Ibex 35 rose by 6.6%, Ibex Med by 2.8% and Eurostoxx Food and Beverage by 9.2%.

EBRO vs Indexes 2017



The average share price in 2017 was €19.53, closing the year on 29 December at €19.34. Share turnover was equivalent to 0.26 times the total number of shares in the company. The average daily volume of trading during 2017 was 155,248 shares.

## EBRO vs Indexes from 2017 to April 2018



Observing the share performance according to the continuous reporting requirement, from January 2017 up to the closing date of this report (5 April 2018), the value of the Ebro share has risen by 6.8%, while Ibex 35 is up 3.3%, Ibex Med 2.7% and Eurostoxx Food and Beverage 6.6%.

### EBRO ANALYSTS

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

- |                              |                                      |
|------------------------------|--------------------------------------|
| 1. Ahorro Corporación        | 10. JB Capital Markets, S. V.        |
| 2. Banco Sabadell            | 11. Kepler Cheuvreux Capital Markets |
| 3. Haitong Research - Iberia | 12. Link Securities                  |
| 4. BBVA                      | 13. Mirabaud                         |
| 5. BPI                       | 14. Alantra (N+1)                    |
| 6. Gaesco Beka               | 15. Santander Investment             |
| 7. Exane BNP Paribas         | 16. UBS                              |
| 8. Fidentiis                 | 17. Renta 4                          |
| 9. Intermoney                |                                      |



At year-end 2017, the average rating by analysts gave EBRO a target price of €21.18 per share, 8.73% higher than our market price at that date.

### DIVIDENDS

An ordinary dividend of €88 million (€0.57 euros per share) was distributed during 2017 against the 2016 profits.

The ordinary dividend was paid in three instalments (€0.19 per share) in April, June and October 2017.

The dividend yield per share at year-end was 2.8%.

For 2018, the Ebro Foods board unanimously resolved on 24 October 2017 to table a motion at the forthcoming Annual General Meeting proposing a dividend of €0.57 per share against the 2017 earnings, to be distributed in three payments of €0.19 per share in April, June and October 2018 (€88 million). Therefore, the same dividend as in 2017 would be maintained.

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



# 3 Risk management



## Risk management

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

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

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

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

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

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

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

*NB: A full description of the risks and the measures taken to mitigate them can be consulted in the consolidated Directors' Report.*

# Business Model

**1**

**Definition of the  
model**

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**2**

**Strategy**

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**3**

**Value creation:  
R&D and  
innovation**

Pag 37

# 1 Definition of the model





## Definition of the model

The Ebro Foods Group (“Ebro Foods” or the “Group”) is the leading Spanish food group, world leader in the rice sector and the second global fresh and dry pasta producer. It is present through a network of 27 subsidiaries in the principal rice and pasta markets in Europe, North America and South East Asia, and is gradually building up its presence in other countries.

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

Ebro Foods goes beyond the goal of merely achieving financial returns and has incorporated environmental, social and ethical criteria in its decision-making process, along with financial metrics, imposing sustainable development throughout all the companies in the Ebro Group. For this reason, it has adopted a business model based on ethics and integrity, which seeks to generate value for its employees, shareholders, investors, customers, consumers, suppliers, environment and the communities in which it is present; in short, for all the stakeholders with whom it interacts in the performance of its business activities.

They are the focal point of the policies and principles established in the Ebro Group’s Code of Conduct, Suppliers’ Code of Conduct, Corporate Social Responsibility Policy and other internal regulations on Good Governance of the Group (the full text is available at [www.ebrofoods.es](http://www.ebrofoods.es)).

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

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

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

Decision-making is controlled by the board of directors of the parent (Ebro Foods, S.A.), which is ultimately responsible for defining the Group’s general strategy and management guidelines. The Board delegates certain tasks to the Executive Committee, including monitoring and oversight of compliance with the strategic and corporate development guidelines, while the Management Committee (composed of the heads of the principal business areas) is tasked with monitoring and preparing the decisions made at management level in the company. The Annual Corporate Governance Report contains detailed information on the Group’s governance structure.

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



Rice is the world's most consumed grain, although the volume of world trade is smaller than that of other grains and cereals owing to the production shortfalls in some of the largest producers (China, the Philippines and Indonesia). The origins of the rice marketed by Ebro vary according to the type of grain and the quality/abundance of harvests. There are three major sources of supply for different rice varieties: USA, southern Europe and South East Asia.

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

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

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

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

## MEMBERSHIP OF SECTOR ASSOCIATIONS AND INSTITUTIONS

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

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

# 2 Strategy



## Strategy

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

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

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

### PRINCIPLES OF ACTION

- ▶ Foster ethical management based on good governance practices and fair competition.
- ▶ Comply with prevailing laws, taking a preventive approach at all times to minimise economic, social and environmental risks, including tax risks.
- ▶ Endeavour to obtain a return on investments while guaranteeing the operating and financial soundness of its activities. Ensure business profit as one of the bases for the future sustainability of the company and the large groups of stakeholders operating directly and indirectly with it.
- ▶ Generate a framework of labour relations that favours training and personal and professional development, respects the principle of equal opportunities and diversity and promotes a safe, healthy working environment.
- ▶ Reject all forms of abuse or violation of the fundamental and universal human rights, in accordance with international laws and practices.
- ▶ Promote a relationship of mutual benefit with the communities in which the Group is present, sensitive to their culture, context and needs.
- ▶ Meet and anticipate our consumers' and customers' needs, offering a broad portfolio of products and differentiated, healthy food.
- ▶ Steer all the company's processes, activities and decisions towards not only generating economic gains, but also protecting the environment, preventing and minimising environmental impacts, optimising the use of natural resources and preserving biodiversity.
- ▶ Develop a framework of responsible, honest, transparent communication and dialogue with stakeholders, setting up perfectly identified stable channels of communication and regularly providing stakeholders with transparent, rigorous, true, specific information on the Group's activities.



## GROWTH LEVERS

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



# 3 Value creation: R&D+I





## Value creation: R&D+I

The Ebro Group has always been a step ahead of new consumer trends and an international benchmark in the research and development of products for the food sector. Aware that R&D+I is essential for developing its quality and differentiation strategy, the Group maintained its firm commitment in 2017.

The total expenditure in this R&D+I during the year was €4.8 million, between internal resources (€3.5 million) and external resources (€1.3 million).

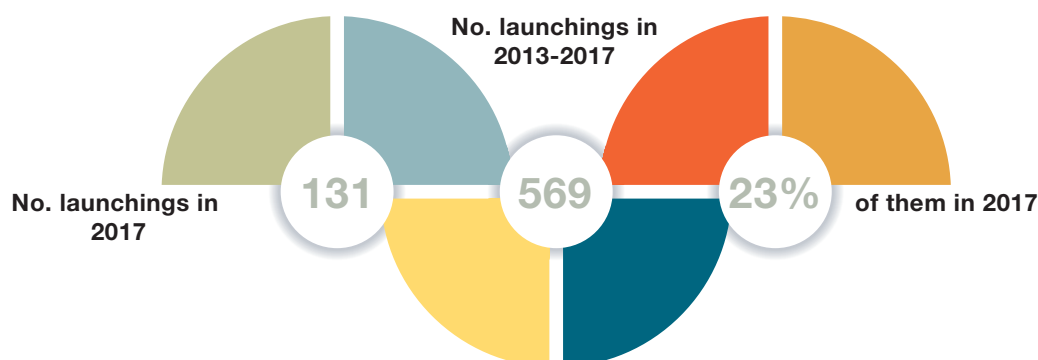
The Group has built up its R&D+I activities at research centres in France, USA and Spain. These centres and the principal projects developed during the year are described briefly below:

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



## PRODUCT INNOVATIONS

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



## NUMBER OF PRODUCT INNOVATIONS BY COMPANY DURING 2017

COMPANY	COUNTRY	NO. PRODUCTS LAUNCHED IN 2017
Herba Ricemills	Spain	13
Panzani	France	36
Lustucru	France	11
Riviana	USA	10
Boost Nutrition	Belgium	4
Catelli	Canada	10
Riso Scotti	Italy	11
Lassie	Netherlands	8
Euryza	Germany	14
Risella Oy	Finland	6
Arrozeiras	Portugal	4
Garofalo	Italy	4
<b>Total new launchings</b>		<b>131</b>

## EVOLUTION OF PRODUCT INNOVATIONS 2013-2017

The Ebro Group has launched 569 new products between 2013 and 2017

COMPANY	COUNTRY	NO. PRODUCTS LAUNCHED SINCE 2013
Herba Ricemills	Spain	39
Panzani	France	107
Lustucru	France	86
Riviana	USA	70
Boost Nutrition	Belgium	24
Catelli	Canada	51
Riso Scotti	Italy	77
Lassie	Netherlands	35
Euryza	Germany	28
Risella Oy	Finland	18
Arrozeiras	Portugal	17
Garofalo	Italy	17
<b>Total new launchings</b>		<b>569</b>

*NB: 79 of the 569 products launched were discontinued during the same period.*

## WEIGHT OF INNOVATIONS IN THE BUSINESS

The product innovations launched by these companies on the market between 2013 and 2017 accounted for 9.6% of those companies' total sales in 2017.

	SALES NEW LAUNCHINGS 2013-2017	% SALES NEW LAUNCHINGS 2013-2017 / SALES OF COMPANY IN 2017
Herba Ricemills	18,037,473	14.5%
Panzani	41,605,717	12.4%
Lustucru Frais	27,711,000	22.3%
Riviana	35,594,376	4.4%
Boost Nutrition	2,823,421	21.6%
Catelli	19,622,247	14.2%
Riso Scotti	16,500,532	9.8%
Lassie	3,815,900	13.2%
Euryza	6,642,993	15.3%
Risella Oy	760,564	17.9%
Arrozeiras	2,569,957	10.0%
Garofalo	3,688,112	5.5%



# Business Areas in 2017

**1**

**Consolidated  
group**

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**2**

**Rice**

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**3**

**Pasta, sauces  
and others**

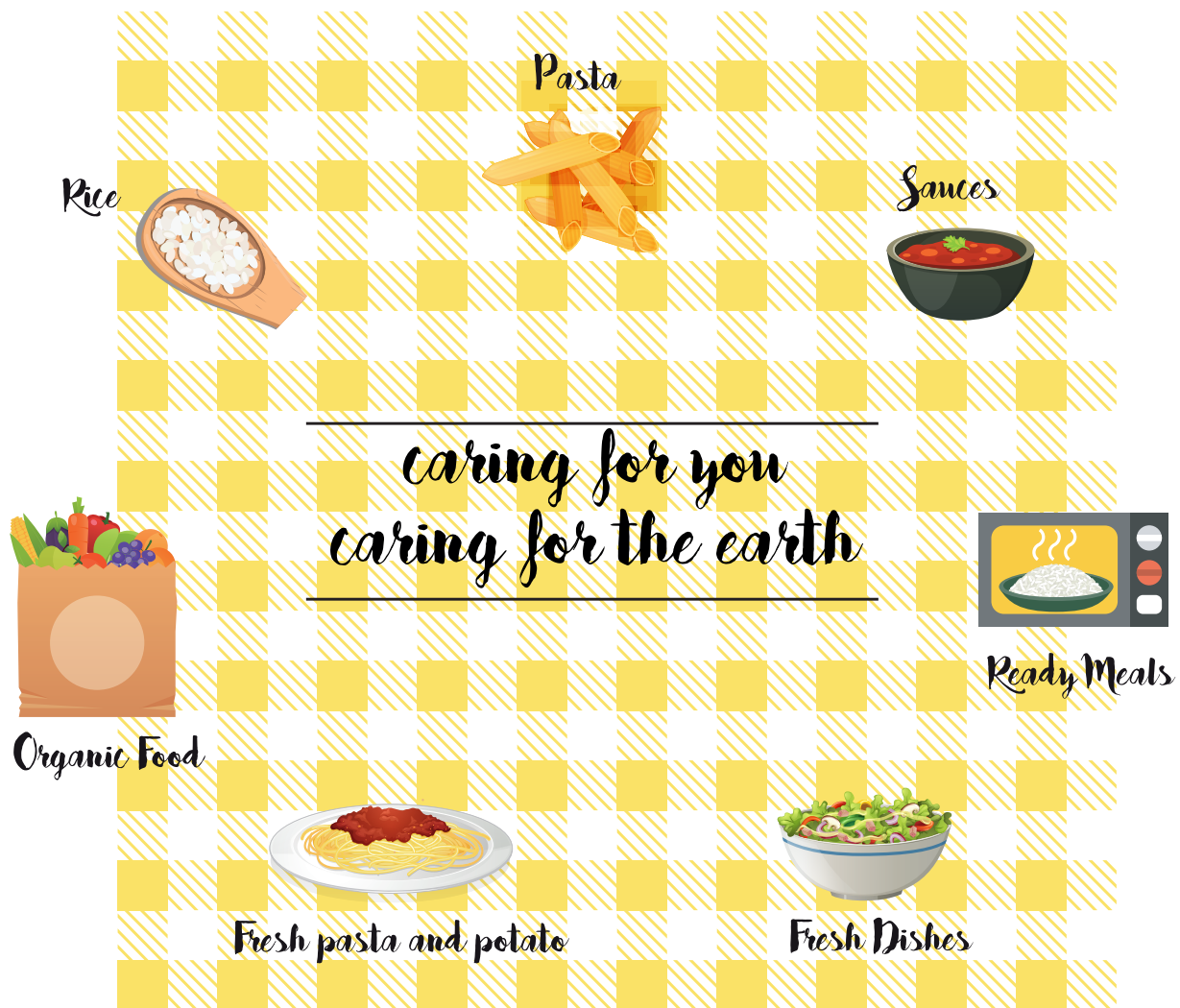
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# 1 Consolidated Group







## General overview

The year was marked by optimism, with a global economic recovery underpinned by an upturn in investment and world trade that is expected to continue at least over the next two years. The overall feeling is favourable, as reflected by the confidence indicators, easing (although not eliminating) the geopolitical and financial uncertainties.

Average GDP growth in the eurozone was 2.4%, 0.7% more than expected, with a more homogenous distribution of growth and good performance of the emerging economies (Poland, Czech Republic, Hungary, Romania). Prices have remained slightly below the target levels, so an accommodative monetary policy has been maintained, although market incentives are being gradually withdrawn. The labour market is responding to the growth in economic activity with good signs in all countries, which are starting to result in better pay.

The annual GDP growth of the United States (by 2.5%) exceeded expectations, proving the strength of an economy that is at an advanced stage of the business cycle and where a major tax reform was recently passed to maintain that growth. The Federal Reserve gave impetus to the situation (close to full employment and with restrained prices) by approving three times a rise in the benchmark interest index and downsizing its balance sheet (as announced a year earlier).

## Overview of consumption

The trends in consumption patterns announced last year were repeated this year:

- ▶ Preference for natural, healthy, organic food. The increased consumption of fresh products is closely connected to this feeling.
- ▶ Quality private label brands have broadened their customer base, spanning practically all social classes and segments of population.
- ▶ Consumers are willing to pay more for products that satisfy them, because of their quality or because they are quick and easy to prepare.
- ▶ Growth of local supermarkets with a higher shopping frequency and increased availability (24-hour opening, alliances with filling stations or other high-traffic points).
- ▶ Aging of the population and smaller families; new formats and customised products and services.
- ▶ Consolidation of new players (virtual stores such as Amazon) on the distribution market along with the new consumer trends and use of technology.

These would be the general patterns, while differential factors are found in each specific market, such as immigration (which introduces new eating habits), the new generations of digital natives or the new ways of cooking or consuming food (by order, through vending machines, snacks as meal substitutes, etc.).

The relentless penetration of mobility in internet access (with smartphones or tablets) makes shopping faster and more universal.

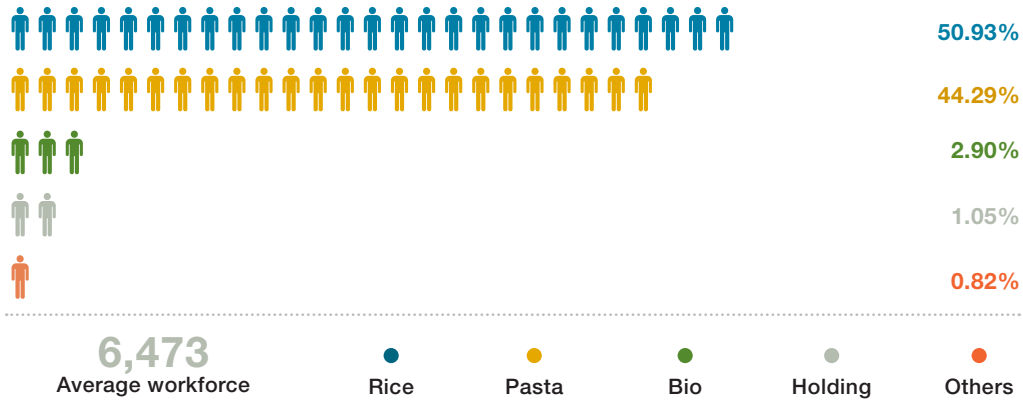
This situation, together with growing automation (self-driving cars, drones, etc.) and interchange platforms that put consumers in touch with the producers of goods and services, herald a change in food consumption and shopping habits (customised promotions, access to all sorts of food delivery services, crossing the last mile barrier in distribution, etc).

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

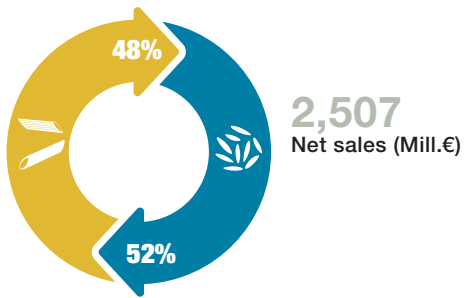


# Consolidated group

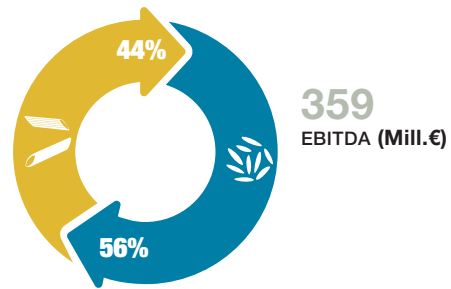
## BREAKDOWN OF GROUP WORKFORCE BY BUSINESS AREAS



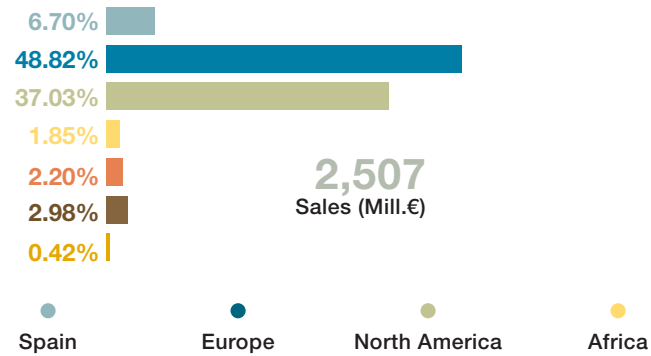
## BREAKDOWN GROUP SALES



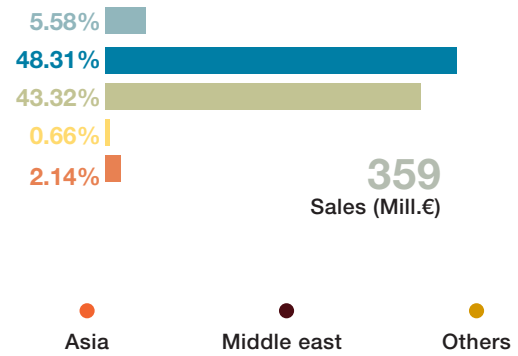
## BREAKDOWN OF GROUP EBITDA



## BREAKDOWN OF GROUP SALES BY GEOGRAPHICAL AREAS



## BREAKDOWN OF GROUP EBITDA BY GEOGRAPHICAL AREAS



## Profit and Loss

	2015	2016	2016-2015	2017	2017-2016	CAGR 17-15
Net sales	2,461,915	2,459,246	(0.1%)	2,506,969	1.9%	0.9%
Advertising	(87,017)	(100,401)	(15.4%)	(93,134)	7.2%	3.5%
% Net sales	(3.5%)	(4.1%)	(15.4%)	(3.7%)		
EBITDA	314,724	344,141	9.3%	359,000	4.3%	6.8%
% Net sales	12.8%	14.0%		14.3%		
EBIT	246,314	267,308	8.5%	279,314	4.5%	6.5%
% Net sales	10.0%	10.9%		11.1%		
Profit before tax	229,722	259,410	12.9%	264,131	1.8%	7.2%
% Net sales	9.3%	10.5%		10.5%		
Income tax	(79,034)	(83,591)	(5.8%)	(34,157)	59.1%	(34.3%)
% Net sales	(3.2%)	(3.4%)		(1.4%)		
Consol. profit for the year (continuing operations)	150,688	175,819	16.7%	229,974	30.8%	23.5%
% Net sales	6.1%	7.1%		9.2%		
Net loss on discontinued operations						
% Net sales						
Net profit	144,846	169,724	17.2%	220,600	30.0%	23.4%
% Net sales	5.9%	6.9%		8.8%		

## Balance Sheet

	31-12-15	31-12-16	2016-2015	31-12-17	2017-2016
Equity	1,966,259	2,079,326	5.8%	2,074,637	(0.2%)
Net Debt	426,280	443,206	(4.0%)	517,185	(16.7%)
Average Debt	424,940	404,137		426,042	(5.4%)
Leverage (3)	0.22	0.19		0.21	
<b>Total Assets</b>	<b>3,403,676</b>	<b>3,645,478</b>		<b>3,660,700</b>	<b>0.4%</b>

	31-12-15	31-12-16	2016-2015	31-12-17	2017-2016
Average working capital	482,300	461,991	4.2%	506,803	(9.7%)
Capital employed	1,579,447	1,611,272	(2.0%)	1,678,670	(4.2%)
ROCE (1)	15.6	16.6		16.6	
Capex (2)	81,466	107,725	32.2%	120,671	12.0%
Average headcount	5,759	6,195	7.6%	6,521	5.3%

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

(2) Capex as cash outflow from investing activities

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

**Turnover** rose by 1.9% year on year. The incorporation of new companies in the group, which contributed €43 million in sales and an increased volume of products sold, offset the negative impact of the dollar exchange rates (sales down €17 million) and the slight drop in net prices during the second half of the year (continuing the trend of the previous year).

The weight of rice and Europe in total turnover improved slightly as a result of the latest acquisitions in this area.



The **generation of resources, EBITDA**, rose by 4.3%, with a contribution of €4.4 million by the new businesses and a negative impact of €3.4 million caused by exchange rate variations. Prominent aspects of the year included: (i) the especially positive performance of the rice segment in Europe and (ii) the performance by Garofalo in the Premium segment, which continued expanding along with the Group, with growing penetration in different European markets. In contrast, the performance of the pasta division declined in the United States, where the market is dominated by promotion and price wars (the market dropped 2.3% in value and 1.2% in volume, according to the average market information for the past 52 weeks as at 30 December 2017), and where the unexpected upturn in the price of American durum wheat in the summer pushed the cost of supplies up by US\$ 4.2 million, which we were unable to pass on to customers.

The average profitability measured by the **EBITDA to Sales** ratio rose to 14.3%, with a clear improvement in European subsidiaries, remaining lower in the USA owing to the fierce price competition.

The profit before tax grew at a slower rate than the above-mentioned margins, due to: (i) the higher interest expense associated with the extremely volatile US\$ exchange rate during the year (the Group makes a significant portion of its purchases in US\$) and (ii) the worse evolution of **non-recurring earnings**, with a smaller generation of proceeds from the sale of assets than those received in 2016 (mainly from the sale of properties and sale of the Puerto Rico business).

The **tax expense** has been reduced considerably due to the tax reforms made in several countries within the general trend to lower tax rates in an effort to increase competitiveness. The tax reform in the United States was particularly important: although the new federal tax rate (down to 21% from 35%) will be applicable as from 2018, the effect of the reduction on deferred tax liabilities is already visible in the 2017 profit and loss account.

The **Net Earnings in Continuing Operations** rose by 30.8% thanks to the growth in profitability and the effect of the tax reform mentioned in the preceding paragraph.

The **ROCE** held steady at 16.6%, balancing the increase in profitability with a rise in the average capital employed.



# 2 Rice

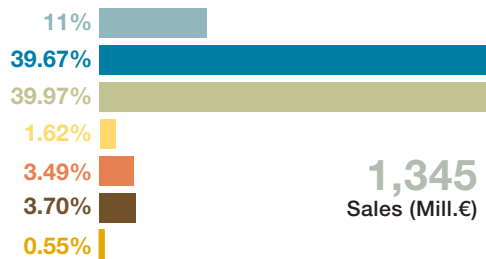


# Rice

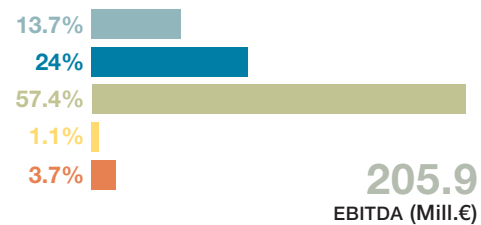
## BREAKDOWN OF RICE DIVISION WORKFORCE BY GEOGRAPHICAL AREAS



## BREAKDOWN OF RICE DIVISION SALES BY GEOGRAPHICAL AREAS



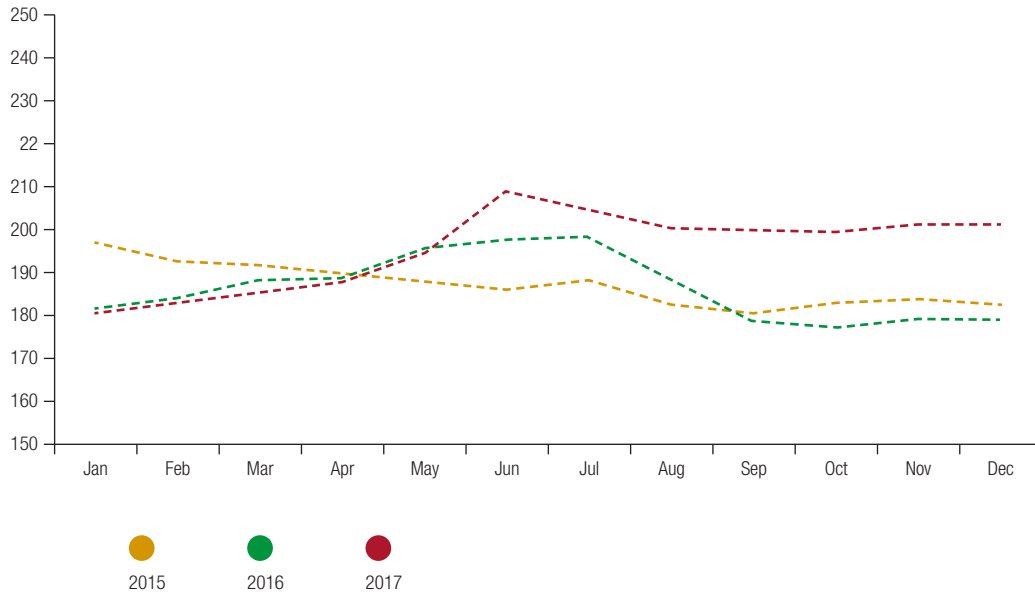
## BREAKDOWN OF RICE DIVISION EBITDA BY GEOGRAPHICAL AREAS



PROFIT AND LOSS	2015	2016	2016-2015	2017	2017-2016	CAGR 2017-2015
Net sales	1,287,726	1,283,853	(0.3%)	1,345,026	4.8%	2.2%
Advertising	(28,988)	(30,135)	(4.0%)	(33,466)	(11.1%)	7.4%
EBITDA	176,959	196,264	10.9%	205,988	5.0%	7.9%
EBIT	147,509	163,561	10.9%	172,522	5.5%	8.1%
Operating profit	148,600	169,240	13.9%	174,027	2.8%	8.2%
Capex	39,555	47,391	19.8%	65,807	38.9%	29.0%

Thousand of euros

## Rice Price Index (IPO)



As from the first quarter of the year, rice prices rose generally, even though world production and stock levels were already close to record levels. The devaluation of the US\$ clearly affected this trend, and prices varied considerably for different sources and varieties.

By geographical regions, the trend of the previous year was maintained in the European Union, with abundant sowing and harvesting of short-grain rice and a certain reduction in the area sown with long-grain rice varieties (which are not very competitive against the long-grain rice from EBA countries). Overall, an abundant harvest and relatively low prices.

In the United States, the 16/17 harvest was excellent, with 30% more land sown with long-grain rice, taking the quantity of rice available up to almost record levels. Consequently, prices remained low for the first half of the year.

However, as from the summer, hurricanes caused flooding in the rice-growing areas and this, together with the smaller growing area (owing to the unfavourable price expectations in the sowing season), pushed prices up, as shown in the following table of prices paid to growers (the 17/18 crop year is still in progress, so the prices for this season were estimated in December 2017):

### Price US crop year August-July

\$/CWT	17/18 (*)	16/17	15/16	14/15	13/14
Average price	12.3-13.3	10.4	12.2	13.4	16.3
Long grain	11.6-12.6	9.64	11.2	11.9	15.4
Medium grain	14.2-15.2	12.9	15.3	18.3	19.2

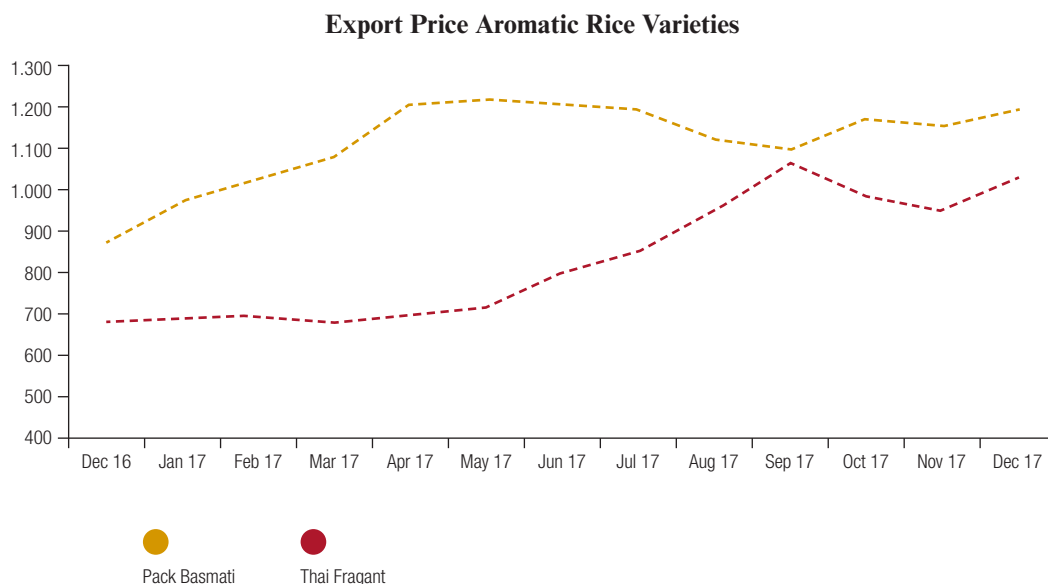
(\*) Estimated range

(Source: USDA)

Finally, in the rice-growing regions of South East Asia (principal global exporters: India, Thailand, Vietnam, Pakistan and Myanmar), prices were hit by the devaluation of the dollar and the benchmark of American long-grain rice, with export prices rising as from May-June with an average increase of 5-10% year on year.

The evolution of aromatic rice varieties (basmati and Thai fragrant) is worthy of separate consideration. During the last crop year, the smaller yield on these crops led growers to sow a smaller area with basmati rice. A water shortage in certain growing areas also affected the crop and the carryover stock and these circumstances led to a hike in the prices of this variety.

As from mid-year, the hike in basmati rice prices extended to the Thai fragrant rice, which was to a certain extent substituted for basmati in some markets importing these varieties. The situation is shown very clearly in the following graph of export prices in US\$:



This trend has obviously affected profit margins and will also affect prices.

**Sales** grew again in both absolute terms (+2.2%) and on a like-for-like basis (€30 million increase in sales due to incorporation of businesses; exchange rate effect -€12 million). Net prices in the United States declined over the first half of the year, while they remained generally stable in Europe.

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

The highlights of the year are set out below:

- ▶ The volume of sales by the US rice unit increased in both the domestic market (even though sales of the category fell by 0.6%) and exports, where the Group benefited from very competitive American long-grain rice prices in the first half of the year.
- ▶ The solid growth of cups continued in both the United States (+15% in volume) and other countries (+35% in volume in Spain).
- ▶ Strong development in Europe of the “Benefit” range, based on grain, vegetable and pulse mixes, which combine health and convenience and provide a full, healthy, natural menu. In the United States, production of the organic cup range is commencing now, after obtaining accreditation of our facilities.
- ▶ Real explosion of products based on or mixed with quinoa and ancient grains, both in cups (quinoa has consolidated its position as the third product in the category, behind white and brown rice) and in traditional preparations (Vidasania, Bosto grains, Lassie Zilvervlies and Reis-fit Knormix).
- ▶ Growth in organic rice and pulses, included in the healthy products line. The acquisition of Geovita, for its product range in this category, is considered the perfect complement for its development.

The division **EBITDA** was up 5.0% year on year. A small portion of this growth corresponds to the integration of new businesses (€2.7 million), offsetting the decline due to the exchange rate effect on the US rice business (-€2.4 million).

The performance of margins is especially worth mentioning, considering the above-mentioned price increase of aromatic rice. A hike in the cost of the raw material directly hits margins, since it is difficult to pass such a sharp rise on to customers, requiring lengthy negotiations with distributors. In this case, the direct impact reflected in the 2017 accounts has been estimated at €2.6 million, concentrated in the costs of basmati (which especially affects the European market) as the prices of other varieties of fragrant rice rose at the end of the year with a higher alert level and, in any case, they will be negotiated with distributors in 2018.

Investment in advertising remained more or less stable, with an increase of €3.2 million in our European businesses and a reduction of €5.2 million in the United States (to adjust the step-up in promotions in the first three quarters of the year to mark-to-market).

The American business registered a new record contribution of US\$ 134 million, with an outstanding performance by the principal brands (Mahatma, Carolina, Minute and Success) despite the impact of the hurricanes (which caused a toll difficult to quantify in extraordinary maintenance and repair work, change in production schemes and enormous logistics problems).

By source, the contribution to the EBITDA of the non-American business is as follows:

	2015	2016	%	2017	%
Spain	23,191	27,903	38.7%	28,382	32.6%
Europe	41,307	40,261	55.9%	48,577	55.7%
Others	7,522	9,845	13.7%	10,210	11.7%
<b>Total Ebitda</b>	<b>72,020</b>	<b>78,009</b>	<b>100.0%</b>	<b>87,169</b>	<b>100.0%</b>

The business development is especially satisfactory: (i) in Germany, where a new commercial team has renovated the product portfolio, incorporating the range already existing in other countries, but adapting it to local consumers, thus increasing revenue through mixes; (ii) in the Netherlands, where the market has proved receptive to the idea of healthy food; and (iii) in our frozen foods business, which has furthered its international expansion with the UK plant, now operational, and a large project in the USA, where a latest-generation plant has been built, fully automated, expected to come on stream in 2018.



Growth from other sources is due to the increased business in India and Thailand, where the Group has reinforced its presence both to guarantee its supply of long-grain and aromatic rice varieties at prices and with qualities meeting the Group's internal requirements and with a view to progressively establishing itself in the local market.

The **Operating Profit** was smaller than other margins on the profit and loss account, due to the smaller non-recurring earnings, since in the previous year it had included the sale of the business in Puerto Rico and major properties.

Investment in fixed assets grew again, especially in business lines with a high growth potential. The principal investments (**CAPEX**) made in this division correspond to (i) the new frozen foods factory in the United States (€17.5 million), (ii) the new pasta facilities in India (€4.5 million), (iii) the conclusion of investments in a new finished product warehouse in Antwerp (€1.7 million) and Amsterdam (€1.2 million), (iv) the new storage facilities in Cambodia (€3 million), (v) the enlargement of the ingredients plant (€3.2 million), (vi) the increased capacity of instant rice at the Memphis plant (€3 million), (vi) the automation of the packaging lines at the Freeport plant (€4.2 million) and (vii) the enlargement of the microwave cups plant in Jerez de la Frontera (€1.3 million).

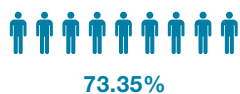


# 3 Pasta, Sauces and Others



## Pasta, Sauces and Others

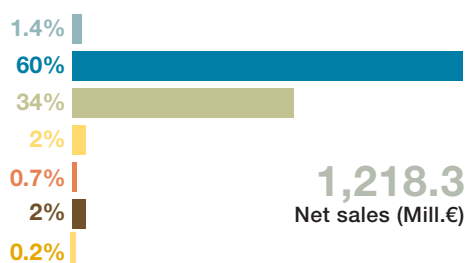
### BREAKDOWN OF PASTA DIVISION WORKFORCE BY GEOGRAPHICAL AREAS



**2,867**  
Average Workforce



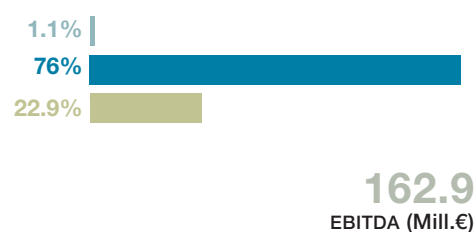
### BREAKDOWN OF PASTA DIVISION SALES BY GEOGRAPHICAL AREAS



Spain    Europe    North America    Africa    Asia    Middle east    Others



### BREAKDOWN OF PASTA DIVISION EBITDA BY GEOGRAPHICAL AREAS



PROFIT AND LOSS	2015	2016	2016-2015	2017	2017-2016	CAGR 2017-2015
Net sales	1,224,491	1,236,227	1.0%	1,218,285	(1.5%)	(0.3%)
Advertising	(58,231)	(70,840)	(21.7%)	(66,154)	6.6%	6.6%
EBITDA	148,647	157,089	5.7%	162,977	3.7%	4.7%
EBIT	110,477	113,544	2.8%	117,420	3.4%	3.1%
Operating profit	104,957	93,294	(11.1%)	102,032	9.4%	(1.4%)
Capex	40,683	59,701	46.7%	52,855	(11.5%)	14.0%

Thousand of euros

## Price of Durum Wheat in EUR/TON



Source: Terre.net

Overall, durum wheat prices maintained in 2017 the line of stability announced in 2016, except the price hike in the USA in the summer, as mentioned earlier. A larger area was sown in the 16/17 season and the harvest rose in the main producers (North America and southern Europe), but owing to the late rains, the quality in the major production areas of the USA and Canada was rather poor. Even so, the abundance of wheat in Europe, where excellent harvests were reaped, guaranteed falling prices up to the new spring-summer harvest, as reflected on the price evolution graph (European prices).

With the new harvest, the announcement of a smaller sowing area (in the previous two seasons the price spread between durum wheat and common wheat had favoured the former) and the low quality of the carryover stock made markets uneasy and prices rose, especially in North America, where the problems were more acute. Although a smaller output is expected in the 2017/18 season (down approximately 36% year on year in Canada and 47% in the USA), the reduction is expected to be offset with a larger production in the rest of the world and improved quality, so prices returned to normal after the summer.

The prices paid to growers in the USA, published by USDA, follow the pattern described in the preceding paragraph, ranging from an average price of 6.50 US\$/bushel in June 2016, lows of 5.71 US\$/bushel in February/March 2017, an upturn to 6.69 US\$/bushel in June 2018, then stabilising as from September with a price of 6.41 US\$/bushel in December 2018.

**Sales** dropped by 1.5%, boosted by the incorporation of Vegetalia with a contribution of €12 million, partly counteracted by the impact of the exchange rate on the American business, of -€5 million. Sale prices were accompanied by the lowering of wheat prices in the first half of the year, especially in the non-brand markets, and when the prices at source went up (especially in the United States), they were corrected by reducing the number of promotions to absorb the impact.

By geographical markets:

- ▶ In France, the brand markets in which we operate (dry pasta, fresh pasta, sauces, cereals and pulses) maintained a healthy growth, apart from dry pasta, which remained stable. However, non-brand (or price) sales fell, mainly due to the lowering of net prices in response to competition from countries in which the raw material was cheaper (such as Italy).

Panzani dry pasta sales fell slightly in volume to a 36.7% share of modern distribution, owing to a fierce promotion campaign by competition. In other categories, the performance was excellent, increasing to 42.9% in volume in fresh pasta and 21.6% in cereals and pulses. Overall, the like-for-like turnover fell due to the price effect (down €12million), partly offset by a large volume of sales (up €7 million).

Principal innovations included: (i) a new pasta+cereals line, (ii) the new sauces with fresh quality, (iii) the performance of dry pasta with fresh pasta quality (+23% in volume year on year), which continues broadening its range, and (iv) the new range of mixes, of semolina, rice, ancient grains and pulses (+73%). In the fresh pasta segment, there is continued growth of pan-fried gnocchi sales (+18%), expanding the range, with annual sales of 14,966 tonnes.

- ▶ Garofalo brand sales grew in volume and profitability, in a practically flat market. Total sales remained stable as the sales of other secondary brands with price positioning fell. It increased share of the premium pasta market in Italy to 5.1% in volume and 7.6% in value. In 2017 its distribution grew throughout Europe, and towards the end of the year it launched a new premium quality fresh pasta range.
- ▶ United States. As mentioned last year, this market is sluggish, shrinking by 1.2% in volume and 2.3% in value, owing to fierce price competition (accompanied by the trend in durum wheat prices in the first half of the year). The health and well being segment plummeted (down 4.4%, with only the gluten free line maintaining any growth), which hit our oldest brands (Healthy Harvest, Garden Delight, Smart Taste) harder. Gluten free and organic products grew, but slowly. Riviana's market share in volume remained at 18.5% in pasta, offsetting the drop in the health segment with growth in traditional products of the Ronzoni and American Beauty brands.
- ▶ Canada. The dry pasta market reproduced the trends witnessed in its southern neighbour (the Canadian durum wheat market practically mirrors the US market, subject to the evolution of the exchange rate between their currencies) but even more aggressively, growing 1.2% in volume, but dropping 3% in value. Some of the largest distributors in the country have developed price competition strategies which are reflected in this trend.

This price competition led one of our brands used in the low-price strategy to be taken off the shelves of one of the major distributors in the country, with a significant effect on volumes sold, although not on profits. Even so, Catelli Foods still leads the market with a 28.0% share in volume. The fresh pasta market grew by 8% in volume and 5% in value, and Olivieri strengthened its leadership reaching a 46.8% market share, underpinned by innovation.

The division **EBITDA** grew by 3.7%, pushed up by Garofalo, which posted record profits thanks to the improvement of the product mix and the success of its procurement policy. The contribution by Vegetalia was practically counteracted by the effect of the exchange rate. Investment in advertising was cut by 7%, adjusting advertising campaigns to the situation on the markets.

France raised its contribution to €101.2 million, which, after stripping out the contribution by Vegetalia, was on a par with the record earnings obtained in the previous year. Panzani was faced with two fundamental problems: (i) the shrinking of non-brand or price markets, and (ii) the smaller contribution by Roland Monterrad products owing to greater price competition. Those problems were counteracted with: (i) a considerable increase in the volumes of its brands, (ii) a better product mix achieved by renovating its portfolio and (iii) improved productivity.



Garofalo contributed €25.7 million, up 28% year on year (when a 16% growth had been reflected). It held a perfect course within a deflated market, where it managed to improve its profitability by extending its brand, in collaboration with other Group companies, and thanks to agile management of its purchasing position for top quality wheat.

The North American pasta segment contributed slightly less (down €1.5 million), with contrasting performance in the United States and Canada. In the USA, the declining volumes in the health and well being segment left a less profitable product mix which, together with a short position in raw material supplies in the summer months, when durum wheat prices hiked suddenly, producing an excess cost year on year of US\$ 4.2 million. In Canada, however, despite smaller volumes, profits were secured and the situation of supplies in the summer was more favourable, so profitability improved in both fresh and dry pasta.

The **Operating Profit** improved in comparison with the above-mentioned margins, as last year a non-recurring provision was recognised to cover a modification of the pension commitments in France.

**CAPEX** was concentrated in: (i) renovation of one of the dry pasta plants to improve its capacity and productivity (€6 million), (ii) a new quick-cooking couscous line (€2 million), (iii) a new pan-fried gnocchi line (€4 million), (iv) a new long pasta line at St. Louis (€6 million) and (v) the renovation of packaging lines in the United States (€3 million).

