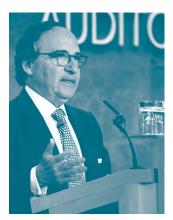
## **Chairman's Statement**



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.

