EBRO FOODS, S.A. GROUP

2017 MANAGEMENT REPORT (figures in thousands of euros)

1. COMPANY SITUATION

Organizational structure and business model

The Ebro Foods Group ("**Ebro Foods**" or the "**Group**") is Spain's largest food group, the world's largest rice producer and the second-biggest producer of dry and fresh pasta globally. Through its network of 25 subsidiaries, it commands a presence in the main rice and pasta markets in Europe, North America and Southeast Asia, as well as a growing presence in other countries.

The Ebro Group's core mission is to research, create, produce and market value-adding food products that, in addition to satisfying its customers' nutritional needs, enhance their well-being and health, all of which framed by a transparent, efficient and sustainable business model.

Ebro Foods looks beyond the goal of delivering financial profitability and has embedded environmental, social and ethical criteria into its decision-making processes, in addition to economic variables, so that sustainable development vertebrates all of the Group subsidiaries' activities. To this end it embraces a business model that, framed by business ethics and integrity, is articulated around the generation of value for its professionals, shareholders, investors, customers, consumers, suppliers, surroundings and business communities, in a nutshell, value for all of the stakeholders with which it engages in the course of doing business.

The policies and principles enshrined in the Group's Code of Conduct, its Code of Conduct for Suppliers, its Corporate Social Responsibility Policy and the rest of its body of corporate governance rules and regulations accordingly address these stakeholders' expectations and concerns (note that the full text of these documents can be retrieved from www.ebrofoods.es).

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

The Ebro Foods Group structures its management around business areas that combine business activities and their geographic location. The core business areas are:

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

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

- *Health and organic food:* this is the Group's newest business. It is being consolidated in the wake the recent acquisitions of Celnat, Vegetalia and Geovita and the activities performed by all its subsidiaries in the bio and organic health food areas. At the heart of this business lies the Group company Alimentation Santé. It is presented within the Pasta business.

Decision-making is spearheaded by the Board of Directors of the Group's parent (Ebro Foods, S.A.), which is ultimately responsible for defining the Group's general strategy and management guidelines. The Board of Directors delegates certain tasks in its Executive Committee, including, notably, monitoring and oversight of delivery of the strategic and corporate development guidelines. The Management Committee (on which the heads of the various business areas sit), is tasked with monitoring and preparing the decisions taken at the management level. The Annual Corporate Governance Report contains detailed information about the Group's governance structure.

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

Rice is the most widely-consumed grain in the world; however, as some of the world's largest producers consume more of this grain than they produce (China, Philippines and Indonesia), the global rice trade is smaller than that of other grains and cereals. The sources of the rice sold by Ebro vary depending on the type of grain and quality/abundance of rice harvests. Supply sources can be grouped into three major regions which produce different varieties of rice: the US, southern Europe and Southeast Asia.

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

It purchases this raw material from farmers, cooperatives and milling companies. Then at the Group's facilities it is milled and/or transformed as necessary. The productive processes differ depending on the product's end use and range from cleaning, milling, polishing and basic extrusion to more complex processes such as pre-cooking, cooking and freezing.

The Group's main direct customers are: (i) the leading food retailers; (ii) the major food multinationals (which use our products as the basis of their prepared products); and (iii) a multitude of hospitality businesses. Despite the fact that they are not usually direct customers, consumers nevertheless play a prominent role in how the Group positions its business.

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

Strategy and value creation

The Group's strategic objective is to be a benchmark player in the rice, pasta and healthy grains markets and in other cross-cutting segments of relevance to all areas defined as 'meal solutions'. Framed by this strategy, the Group's strategic objectives include:

- Achieving a meaningful overall position so as to permit the introduction of related products (e.g., value-added pulses).

- Consolidating the Group as a benchmark enterprise in its various business areas.

- Spearheading innovation in the geographies in which it is present.

- Positioning the Group as a responsible firm committed to social well-being, environmental equilibrium and economic progress.

In order to execute and fine-tune its strategy, the Group is pursuing a series of general lines of initiative and leveraging growth drivers in order to add value to the business and further the organization's commitment to sustainable development:

Lines of initiative

- Fostering ethical management based on good governance practices and fair play.

- Complying with prevailing legislation, at all times taking a preventative approach. We strive to minimize risks, not only economic risks but also social and environmental risks, including tax risks.

- Attaining returns on our investments while guaranteeing the operational and financial solidity of our business activities. Nurturing our profitability as one of the bases for the ongoing sustainability of the organization and the multiple stakeholders that engage directly and indirectly with it.

- Generating a labor relations framework that is propitious to learning and personal and professional development, respects the equal opportunities principle and promotes diversity and a safe and healthy workplace.

- Rejecting any form of abuse or violation of the fundamental and universal rights, in keeping with international law and practices.

- Promoting a mutually beneficial relationship with the communities in which the Group is present, which means being sensitive to their culture, context and needs.

- Satisfying and anticipating the needs of our customers and of our end consumers by offering a broad portfolio of products under the premise of healthy and differentiated food options.

- Articulating the organization's processes, activities and decisions not only around profit generation but also environmental and community protection, responsible use of our natural resources and the preservation of biodiversity.

- Communicating responsibly, accurately and transparently with our stakeholders by establishing perfectly well-identified and permanent communication channels and providing them with thorough, accurate and relevant information about the Group's activities in a timely and transparent manner.

Growth drivers

- Search for organic and M&A-led growth in large and established markets and, in parallel, opportunities in high-potential developing markets.

    - Penetration of new markets and product categories with a strategic focus on fresh products (aperitifs, crisps, omelettes, sandwiches, pizzas, ready meals) and new and more value-added ingredient ranges.

    - Development of products that offer a fuller culinary experience by adding new formats (maxi cups, compact cups, etc.), flavors (dry pasta with the quality of fresh pasta, cups and premium fresh sauce ranges) and meal solutions (pan-fried rice and pasta dishes, Banzai noodle cups, etc.)

    - Leadership in mature markets by focusing strategically on product quality-based differentiation. Expansion and leadership of the premium products category. Exploitation of the huge potential offered by the Garofalo brand and leveraging the new opportunities opened up by the acquisition of Bertagni.

    - Expanded geographic footprint and rounding out of the product/country matrix:

        - Search for business opportunities in mature markets with business profiles similar to that of the Group (Transimpex) and in niche markets (Celnat, Vegetalia, Geovita) that enable the Group take a qualitative step forward in its strategy of shifting away from its generalist positioning to positioning as a multi-specialist (individual solutions).

        - Expanded presence in new business segments in existing markets: pasta in India; broadening the product range in the Middle East/Eastern Europe; development of the pan-fry gnocchi range in Canada.

- Significant positioning in the health and organic food segments by leveraging new concepts based on ancient grains, organic products, gluten-free products, quinoa, etc. The acquisitions of Celnat, Vegetalia and Geovita should be viewed against this backdrop.

- Product differentiation and innovation. The Group's product development strategy is structured around two articulating lines of initiative:

    - Research and development (R&D): it has four proprietary R&D centers. The organization's investment policy is designed to foster the crystallization of new ideas and consumer needs into tangible solutions for its customers and end consumers.

    - The Group aims to have the leading brands in their respective segments, underpinned by the required advertising budgets.

- Low risk exposure. The Ebro Group's attitude towards shifts in its consumer and financial markets is marked by a strong commitment to continuous adaptation and long-term sustainability.

To this end it seeks: (i) balanced sources of recurring income (markets, currencies); (ii) low leverage in order to withstand episodes of financial turbulence; (iii) new sources of supply; and (iv) the establishment of long-term relationships with its stakeholders (customers, suppliers, governments, employees, society).

- It does this by embedding sustainability criteria throughout its entire supply chain ('from the fields to the table') with the ultimate goal of: (i) boosting and safeguarding the competitiveness and financial, environmental and social sustainability of its operations; and (ii) offering healthy and differentiated food solutions that do not compromise the food supply and well-being of future generations.

2. BUSINESS PERFORMANCE AND RESULTS

General backdrop

The year was marked by optimism, framed by the recovery of the global economy underpinned by an uptick in investment and global trade that is expected to last for at least the next two years. General sentiment is favorable, as is reflected in the confidence indicators. Uncertainty on the geopolitical and financial fronts has dissipated (but not disappeared).

GDP growth in the eurozone averaged 2.4%, which was 0.7pp better than expected. Moreover, the growth was more evenly spread out, with the emerging economies (Poland, the Czech Republic, Hungary and Romania) standing out. Inflation was within target, enabling the extension of the prevailing lax monetary policies (which are nonetheless gradually being rolled back). Economic growth trickled down to the labor market with all countries emitting positive signals, signals that are beginning to translate into wage growth.

In the US, GDP growth (2.5%) topped expectations, as the economy - now at an advanced stage of the growth cycle - flexed its muscle. The recently passed raft of fiscal reforms is designed to extend that growth. The Federal Reserve evidenced the healthy situation (close to full employment with inflation under control) by raising its benchmark rates on three occasions and paring back the size of its balance sheet (as it had foreshadowed the year before).

Consumer trends

As for consumer trends, those observed last year continued to materialize

- Preference for natural, healthy and organic foods. Strongly related to this preference, growth in the consumption of fresh products.

- The higher-quality private-label brands have been making inroads in virtually every social strata and segment of the population.

- Consumers are willing to pay more for products that meet their expectations in terms of quality, convenience and speed of preparation.

- Growth in the use of neighborhood supermarkets, where consumers shop more frequently, and specifically the use of convenience stores (24-7, alliances with petrol stations and other places of transit).

- Population ageing and reduction in the number of household members; new formats and product and service personalization.

- Consolidation of new players (online players such as Amazon) in the retail market driven by emerging trends in the use of new technology.

These are the general trends. In each specific market there are also unique trends such as immigration (which brings new eating habits), the new generations of digital natives and new ways of cooking and eating (ordering in, from vending machines, snacking instead of sitting down to eat, etc.).

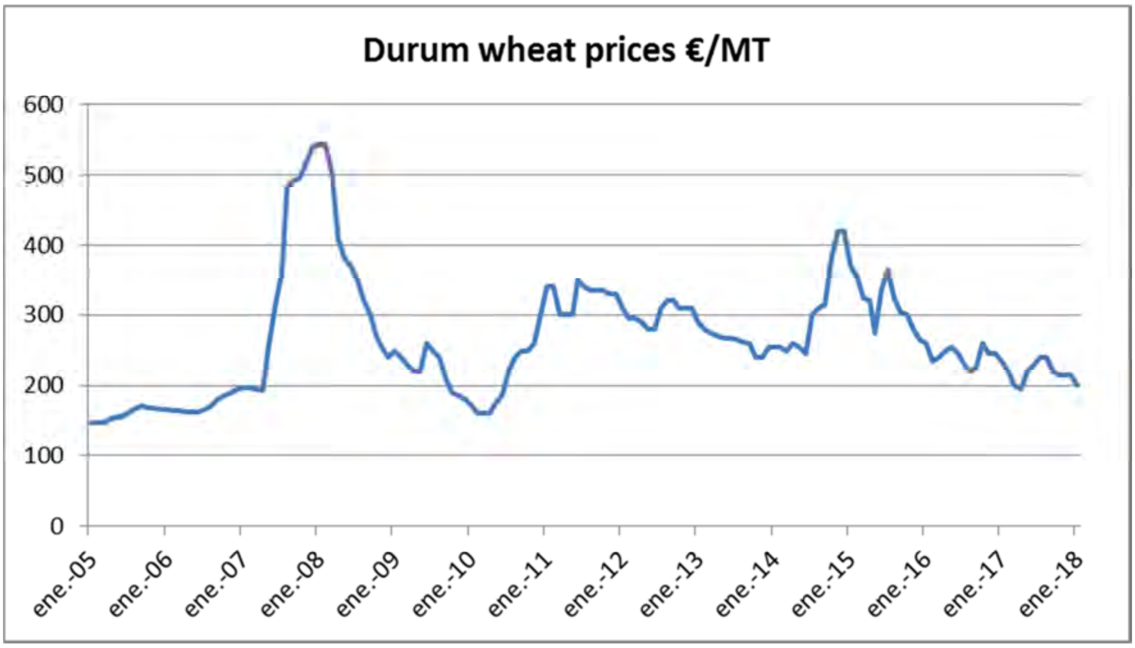
The unstoppable growth in internet access on the go (via smartphones and tablets) is fostering immediacy as a shopping factor and universalizing access. This paradigm, coupled with the advent of new automated systems (driverless cars, drones, etc.) and networking platforms which put consumers in contact with the producers of goods and services, foreshadows a shift in shopping and food consumption habits (personalized promotions, access to all manner of at-home food services, assault on the last-mile distribution barrier). These changes imply challenges for the food retailers and producers which need to deploy marketing techniques that have little or nothing to do with the rules of play that reined until a decade ago in order to reach and retain their customers. Against this backdrop, the use of big data and the speed with which they roll out promotions, and the level to which they personalize them, will grow in importance.

Commodity markets

Commodity prices were reasonably stable. Oil prices traded at around the $60 mark, while metal prices rose gradually on the back of stronger demand from China and the developing countries.

The prices of grain (corn, wheat and rice) were also relatively stable (with the exceptions outlined below), shaped by abundant harvests and reduced demand for grain for the purpose of fuel production (due to oil prices). A slight drop in production and growth in consumption point to a reduction in carryover stocks at the end of the 2017-18 season for the first time in five years; the season is nevertheless expected to be the second largest ever (International Grains Council).

As for durum wheat, the following price chart evidences the prevailing stability (compared to the volatility of prior years):

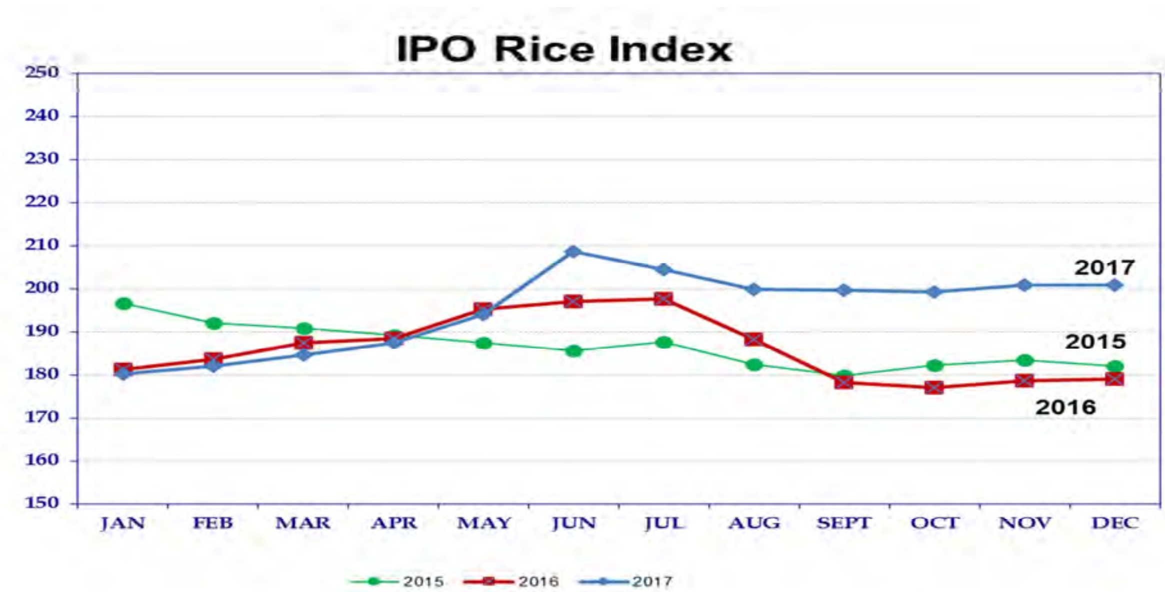


Source: Terre.net and Ebro data

In 2017, prices were steady at around €225/MT, ticking higher during the summer months in the run-up to the start of the new harvest, which was particularly strong in the US and Canada.

Turning to rice, the 2016/17 season and the estimates for 2017/18 harvest levels and carryover stocks continue to mark records. According to the Food and Agriculture Organization (FAO), 2017 production will come in at 502.2 million tonnes (white rice, milled basis), up 0.2 % year-on-year. However, from the geographic perspective, there are signs of significant changes in the distribution of production, marked by growth in importer nations such as China, Indonesia and the Philippines and a paring back in some exporter nations such as India, Vietnam and the US.

The chart below depicts the trend in the IPO international rice price index for the last three years, showing an average for the most popular varieties of this grain.



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International prices firmed slightly during the year despite the strong harvests, driven by: (i) the weakness of the dollar, the currency in which they are quoted; (ii) the downward revision of expectations for the US market (the benchmark for quality long-grain rice); and (iii) an element of uncertainty in certain export markets. By type, prices were slightly stronger in the long-grain varieties and significantly higher in the aromatic varieties.

Group financial performance

The Group's key financial indicators are presented below:

INCOME STATEMENT FIGURES	2015	2016	2016/2015	2017	2017/2016	CAGR 17-15
Revenue	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%**
As a % of revenue	-3.5%	-4.1%	-15.4%	-3.7%		
EBITDA	314,724	344,141	9.3%	359,000	4.3%	**6.8%**
As a % of revenue	12.8%	14.0%		14.3%		
EBIT	246,314	267,308	8.5%	279,314	4.5%	**6.5%**
As a % of revenue	10.0%	10.9%		11.1%		
Profit before tax	229,722	259,410	12.9%	264,131	1.8%	**7.2%**
As a % of revenue	9.3%	10.5%		10.5%		
Tax expense	(79,034)	(83,591)	-5.8%	(34,157)	59.1%	**-34.3%**
As a % of revenue	-3.2%	-3.4%		-1.4%		
Profit for the year from continuing operations	150,688	175,819	16.7%	229,974	30.8%	**23.5%**
As a % of revenue	6.1%	7.1%		9.2%		
Profit/(loss) after tax for from discontinued operat						
As a % of revenue						
Net profit	144,846	169,724	17.2%	220,600	30.0%	**23.4%**
As a % of revenue	5.9%	6.9%		8.8%		

BALANCE SHEET FIGURES	YE 2015	YE 2016	2016/2015	YE 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 net debt	424,940	404,137		426,042	-5.4%
Leverage **(3)**	0.22	0.19		0.21	
Total assets	3,403,676	3,645,478	7.10%	3,660,700	0.4%

	2015	2016	2016/2015	2017	2017/2016
Average working capital requirement	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 workforce	5,759	6,195	7.6%	6,521	5.3%

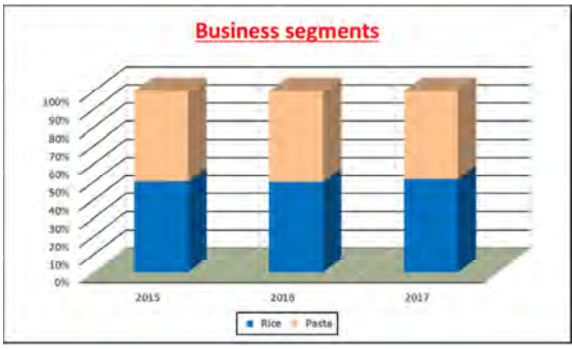
(1) ROCE = trailing twelve month EBIT / (intangible assets - PP&E - working capital)

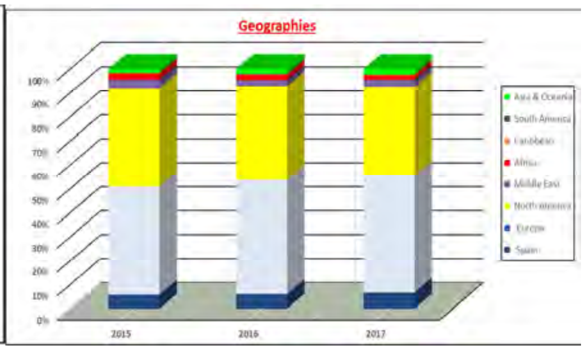
(2) Capex: cash outflows for investment purposes

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

Group **revenue** was 1.9% higher year-on-year. The first-time consolidation of new companies, which contributed 43 million euros to the topline, coupled with growth in the volume of products sold, offset the adverse impact of the trend in the dollar exchange rate (which undermined revenue by 17 million euros) and the slight drop in net prices during the first half of the year (in line with the prior-year trend).

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





The analysis reveals a slight increase in the weight of the rice business and European operations in Group revenue as a result of recent acquisitions focused on these areas.

EBITDA rose by 4.3%, shaped by a 4.4 million euro contribution by new businesses, partially mitigated by an adverse impact of 3.4 million euros via exchange rate trends. On the plus side: (i) the particularly strong performance of the rice business in Europe; and (ii) the performance by the Garofalo brand in the premium pasta segment, which continues to make further inroads into the various European markets, thanks to the backing of the Ebro Group. On the other hand, the pasta business in the US fared less well: in this market a price and promotions war has taken hold (the market shrank by 2.3% in value terms and by 1.2% in volume terms according to the 52-week trailing average information as at December 30, 2017); these trends were exacerbated by the unexpected spike in American durum wheat prices during the summer months which drove a 4.2 million US dollar increase in the cost of sales that was impossible to pass on to customers.

The **EBITDA margin** accordingly amounted to 14.3%, expanding considerably across the European subsidiaries; in the US, however, profitability continued to suffer the brunt of fierce price competition.

Profit before tax registered lower growth than in prior years due to: (i) growth in finance costs associated with the considerable volatility in the US dollar exchange rate during the year (a significant percentage of the Group's purchases are denominated in this currency); and (ii) a year-on-year drop in **non-recurring gains**, specifically a decline in proceeds from asset sales compared to 2016 (when the Group sold investment properties and its Puerto Rican business).

Tax expense declined substantially on the back of the tax reforms passed in several countries as part of the widespread trend of reducing corporate tax rates in a bid to boost competitiveness. The tax reforms in the US were of particular relevance: although the new Federal corporate tax rate (of 21%, down from 35%) won't take effect until 2018, the impact of the rate cut on deferred tax liabilities has already been recognized in the 2017 income statement.

Profit for the year from continuing operations was 30.8% higher thanks to margin expansion coupled with the above-mentioned impact of tax reforms.

The Group's **ROCE** was flat at 16.6%, the increase in profits having been offset by the growth in average capital employed.

Balance sheet metrics

2017 MANAGEMENT REPORT (figures in thousands of euros)

BALANCE SHEET FIGURES	YE15	YE16	Chg.	YE17	Chg.
Intangible assets	466,214	462,928	(3,286)	428,248	(34,680)
Property, plant and equipment	688,239	737,452	49,213	758,739	21,287
Investment properties	29,927	25,882	(4,045)	23,780	(2,102)
PP&E AND INTANGIBLE ASSETS	**1,184,380**	**1,226,262**	**41,882**	**1,210,767**	**(15,495)**
Financial assets	**62,309**	**71,399**	**9,090**	**69,007**	**(2,392)**
Goodwill	**990,885**	**1,029,715**	**38,830**	**1,037,889**	**8,174**
Other current assets and liabilities	**74,301**	**83,068**	**8,767**	**49,757**	**(33,311)**
Inventories	438,579	488,821	50,242	558,990	70,169
Trade receivables, Group companies	0	0	0	0	0
Trade receivables	372,823	369,808	(3,015)	375,141	5,333
Other accounts receivable	66,369	81,156	14,787	89,592	8,436
Trade payables, Group companies	0	0	0	0	0
Trade payables	(312,536)	(302,147)	10,389	(336,478)	(34,331)
Other accounts payable	(112,121)	(119,465)	(7,344)	(120,467)	(1,002)
NET CURRENT ASSETS (WORKING CAPITAL)	**453,114**	**518,173**	**65,059**	**566,778**	**48,605**
NET INVESTMENT	**2,764,989**	**2,928,617**	**163,628**	**2,934,198**	**5,581**
Capital	92,319	92,319	0	92,319	0
Reserves	1,729,094	1,817,283	88,189	1,761,718	(55,565)
Profit attributable to owners of the parent	144,846	169,724	24,878	220,600	50,876
Less: Interim dividend	0	0	0	0	0
Less: Own shares	0	0	0	0	0
CAPITAL AND RESERVES	**1,966,259**	**2,079,326**	**113,067**	**2,074,637**	**(4,689)**
Non-controlling interests	**26,657**	**27,075**	**418**	**47,288**	**20,213**
Other funds	**345,793**	**379,010**	**33,217**	**295,088**	**(83,922)**
Loans from Group companies and associates: Received	0	0	0	0	0
Less: Loans from Group companies and associates: Granted	0	0	0	0	0
Bank borrowings	564,532	643,786	79,254	677,526	33,740
Special financing	73,386	90,760	17,374	109,070	18,310
Less: Cash on hand and at banks	(206,994)	(291,030)	(84,036)	(268,439)	22,591
Less: Short-term investments	(4,644)	(310)	4,334	(972)	(662)
NET BORROWINGS	**426,280**	**443,206**	**16,926**	**517,185**	**73,979**
TOTAL FUNDS	**2,764,989**	**2,928,617**	**163,628**	**2,934,198**	**5,581**

Highlights:

- The first-time consolidation of new businesses (which affected property, plant and equipment, intangible assets, goodwill, net current assets and borrowings): 76 million euros.

- Significant growth in capex during the last two years (due to a series of strategic logistics investments in 2016 and a new frozen products facility in 2017).

- The impact of the trend in the dollar rate on the dollar balances of the subsidiaries exposed to this currency (the exchange rate went from \$/€1.09 at year-end 2015 to 1.05 in 2016 and 1.20 at year-end 2017).

- As a result of the above, translation differences within equity declined significantly.

- A decrease in dollar-denominated liabilities as the Group paid off the loans taken on in that currency to fund the acquisition of US businesses and replaced them with euro-denominated borrowings, coupled with growth in the dollar-denominated cash balance (at year-end the Group presented a net cash balance in US dollars for the first time ever).

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- The growth in working capital at the end of 2017 as a result of a slight increase in overall rice prices and a very substantial increase in the price of the aromatic varieties. The year-on-year comparison also reflects other factors such as the addition to the Group of new companies and changes in the payment of corporate income tax on account.

Other assets and other liabilities mainly comprise deferred taxes (impacted by tax reforms, as noted above), provisions for pension obligations and provisions for charges (notes 10 and 19 of the consolidated financial statements).

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

Rice business

INCOME STATEMENT FIGURES	2015	2016	2016/2015	2017	2017/2016	CAGR 2017-2015
Revenue	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%***

As indicated in the section addressing the business environment, from the first quarter on, the general trend was one of rising rice farm gate prices, despite the fact that global production and stocks recorded historically high levels. This trend was heavily influenced by the devaluation of the dollar but also masked significant disparity by origin and variety.

By region, in the European Union, the trend observed the prior season continued with the abundant sowing and harvesting of short-grain rice, coupled with some paring back of the area devoted to long-grain rice (which is proving less competitive than the long grains of EBA producers). In general terms: an abundant harvest and relatively low prices.

In the US, the 2016/17 harvest was excellent, marked by growth of 30% in the acreage planted with long-grain rice, pushing volumes close to record levels. This situation drove prices lower during the first half of the year.

After the summer, however, the hurricanes flooded the rice paddies; this, coupled with the reduction in planted acreage (due to the outlook for price weakness at the time of sowing), drove prices higher, as is shown in the following table indicating the prices paid to farmers (the 2017/18 season is that underway, so that the prices shown are an estimate as of December 2017):

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US harvest prices (source: USDA)

August-July

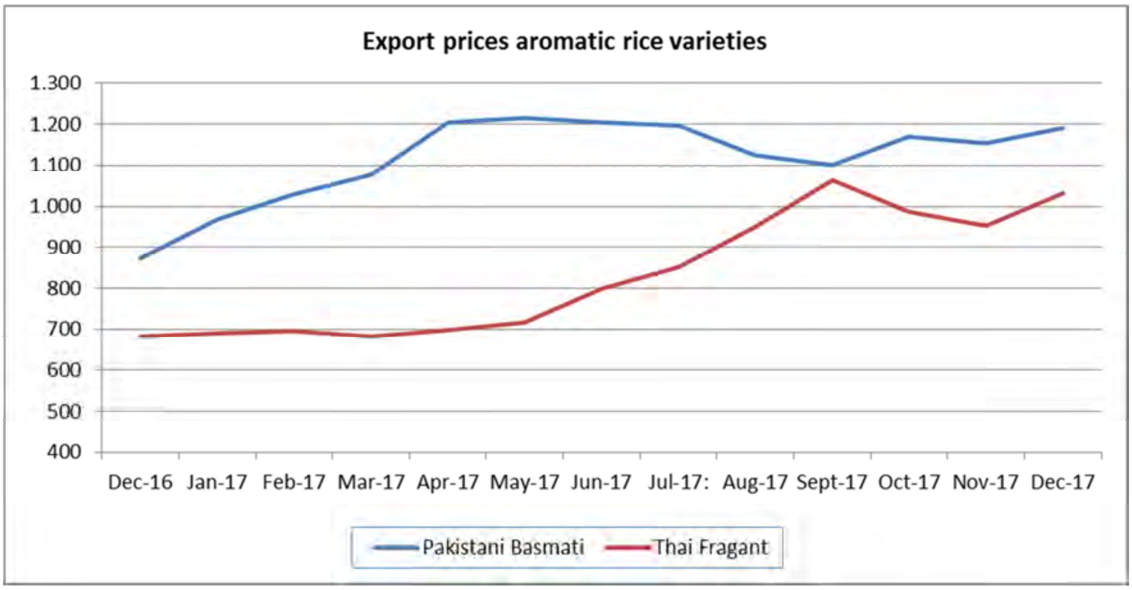
$/cwt	17/18 (*)	16/17	15/16	14/15	13/14
Average price	12.3-13.3	10.4	12.2	13.4	16.3
Long grain	11.6-12.6	9.64	11.2	11.9	15.4
Medium grain	14.2-15.2	12.9	15.3	18.3	19.2

(*) Estimated range

Lastly, in Southeast Asia (the world's largest exporters: India, Thailand, Vietnam, Pakistan and Myanmar), prices were affected by dollar devaluation and the benchmark provided by American long-grain rice: export prices trended higher from May or June, rising by between 5% and 10% on average during the year.

The trend in the price of aromatic rice (basmati and jasmine or Thai fragrant rice) is worth singling out. The reduced profitability of these crops the prior season prompted rice farms to earmark less of their acreage to the basmati varieties; moreover, reduced water availability in the rice paddy regions affected the harvest and carryover stocks. These circumstances drove a significant increase in the price of basmati rice.

In the second half of the year, the growth in basmati prices extended to fragrant Thai rice, which acts as a substitute for basmati to an extent in some of the import markets for these varieties. The situation is clearly evident in the following chart mapping export prices in US dollars:



This trend naturally had an impact on margins and will impact prices too.

Revenue in the rice business registered growth once again in 2017, in both absolute terms (+2.2%) and on a like-for-like basis (revenue contribution from the first-time consolidation of new businesses of 30 million euros; negative impact of exchange rate trends of 12 million euros). Net prices in the US trended lower in the first half of the year but were largely stable in Europe.

By geography, sales in the US accounted for 43% of this area's revenue. A large number of countries, mostly within the European Union, accounted for the remainder.

The highlights of 2017:

- Growth in sales volumes at the US rice unit both in the domestic market (and despite the fact that the category contracted by 0.6%) and in the export market, where the Group benefitted from very competitive long-grain rice prices during the first half of the year.

- Growth in the rice cup line remained solid in the US (+15% by volume) and in other markets (+35% by volume in Spain).

- Magnificent growth in Europe in the Benefit line, based on mixes of grains, vegetables and pulses, combining healthy food with convenience and providing complete, healthy and natural meal solutions. Production of organic cups is getting underway in the US, having obtained the required facility certification.

- Nothing short of explosive growth in products based on or combining mixes of quinoa and other ancient grains in both cups (quinoa has cemented itself as the number-three product in the category, behind only white and wholegrain rice) and in traditional formats (Vidasania, Bosto grains, Lassie Zilvervlies, Reis-fit Knormix).

- Growth in the organic rice and pulses category which forms part of the health foods line. The acquisition of Geovita, which has an attractive range of products in this category, perfectly complements this line.

EBITDA increased by 5.0% year-on-year. Of this growth, a small portion is attributable to newly acquired businesses (2.7 million euros), offsetting the adverse impact of exchange rates on the US rice business (-2.4 million euros).

The trend in profits is particularly noteworthy in light of the growth in the price of the aromatic varieties. An increase in the cost of raw materials at source as abrupt as that outlined has a direct impact on margins, as passing such a sudden increase on to customers is complicated, requiring protracted negotiations with the retailers. The direct impact recognized in the 2017 financial statements is estimated at 2.6 million euros and is concentrated in basmati costs (which affect the European market in particular) as the movement in the other fragrant varieties took place at the end of the year and with more warning; at any rate, the Group will be negotiating the passing-on of these prices with retailers in the course of 2018.

Advertising expenditure was virtually flat at 3.2 million euros in Europe but was pared back by 5.2 million euros in the US (to offset the growth in promotional activities during the first three quarters of the year in order to align market prices).

The US business made a record contribution of 134 million US dollars, led by excellent performances by the leading brands (Mahatma, Carolina, Minute and Success) and despite the impact of the hurricane season (taking a toll hard to quantify in the form of extraordinary maintenance and repair work, changes to production regimes and enormous logistics challenges).

2017 MANAGEMENT REPORT (figures in thousands of euros)

By market, the EBITDA contribution by the non-US rice business was 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%
Other	7,522	9,845	13.7%	10,210	11.7%
Total EBITDA	**72,020**	**78,009**	**100.00%**	**87,169**	**100.00%**

The contributions were particularly strong in: (i) Germany, where a new sales team has updated the product portfolio, adding products already available in other markets but adapting them for local consumer preferences and thus driving profitability via the sales mix; (ii) the Netherlands, which has proven receptive to the idea of healthy food solutions; and (iii) the frozen goods business, which continued its international expansion with the UK plant up and running and a major project underway in the US where a next-generation, fully-automated factory has been built and is poised for regular production from 2018.

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

Operating profit narrowed in contrast to other measures of profit due to the recognition of lower non-recurring gains in 2017 compared to 2016, when this heading included the gain on the sale of the Puerto Rican business and of significant investment properties.

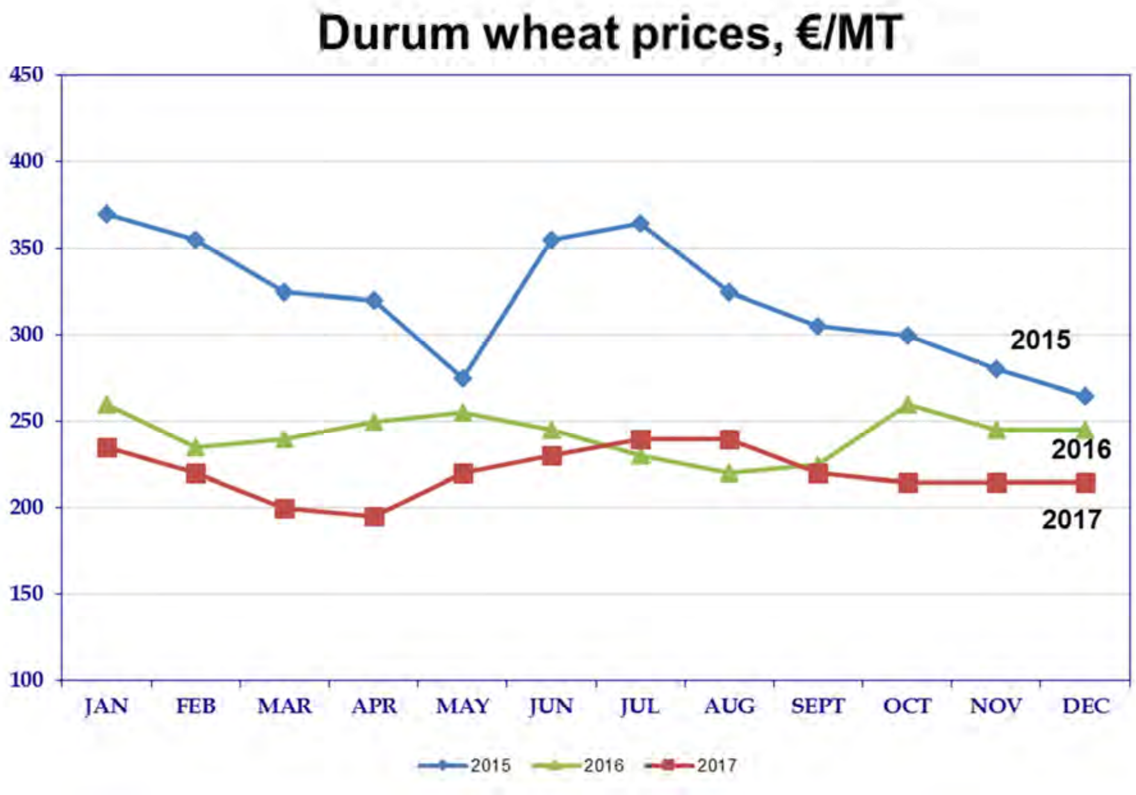
Capital expenditure increased again in 2017 and was focused on the high-growth business lines. The most important investments undertaken in the rice business corresponded to: (i) the new frozen foods factory in the US (17.5 million euros); (ii) the new pasta facilities in India (4.5 million euros); (iii) completion of the investment in the new finished product warehouse between Antwerp (1.7 million euros) and Amsterdam (1.2 million euros); (iv) the new warehousing facilities in Cambodia (3 million euros); (v) expansion of the ingredients factory (3.2 million euros); (vi) capacity expansion at the instant rice factory in Memphis (3 million euros); (vii) automation of the packaging lines at the Freeport factory (4.2 million euros); and (viii) expansion of the microwaveable rice cup factory in Jerez de la Frontera (1.3 million euros).

2017 MANAGEMENT REPORT (figures in thousands of euros)

Pasta business

INCOME STATEMENT FIGURES	2015	2016	2016/2015	2017	2017/2016	CAGR 2017-2015
Revenue	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	0,46746798	52,855	-11.5%	14.0%

In general, durum wheat prices delivered the stability foreshadowed in 2016 throughout 2017, with the exception of the spike in prices in the US in the summer months, commented on above. The 2016/17 season was characterized by greater planted acreages and bigger harvests in the main producing markets (North America and southern Europe). However, due to late rainfall, quality in the biggest-producing areas of the US and Canada was quite poor. Nevertheless, the abundance of wheat thanks to strong harvests in Europe guarantee continued low prices until the start of the new spring-summer harvest, as is shown on the following chart (European prices).



Source: Terre.net

Ahead of the new harvest, the announcement of a smaller plantation acreage (in the prior two harvests the difference between hard and soft wheat prices had tipped in favor of the former) and the poor quality of the carryover stock instilled concerns in the markets, prompting price growth, particularly in the US, where the problems outlined were most pronounced. Despite an estimated year-on-year drop in production in 2017/18 of around 36% in Canada and 47% in the US, this is expected to be offset by growth in production and stronger quality in the rest of the world, why is why prices settled down after the summer.

The prices paid to farmers in the US (the prices received series published by the USDA) evidence the tendencies described above, with prices trading within a range of USD5.71/bushel (the low of February/March) and USD6.69/bushel in June, averaging YSD6.50/bushel. From September on prices stabilized, trading at USD6.41/bushel in December 2017.

Revenue declined by 1.5% in 2017; the positive contribution of the first-time consolidation of Vegetalia (12 million euros) was partially offset by the adverse impact of exchange rates on the US business (-5 million euros). Price competition intensity was buoyed by the decline in wheat prices in the first half of the year, particularly in the unbranded segments; after the prices at source began to tick higher (particularly in the US), the price dissonance was adjusted by reducing the number of promotions.

By geography:

- In France, growth was strong in the brand segments in which the Group is present (dry pasta, fresh pasta, sauces, cereals and pulses), with the exception of the dry pasta segment, which was flat. However, sales of unbranded products contracted on the back of the drop in net prices as a result of competition from markets where raw material prices were lower (such as Italy).

  Panzani's dry pasta sales volumes contracted slightly as a result of intense promotional campaigns; this brand's share of the retail segment stood at 36.7%. In all other product categories, the trend was excellent: growth of 42.9% in fresh pasta sales volumes and of 21.6% in cereals and pulses. Overall, revenue declined on a like-for-like basis due to the impact of prices (-12 million euros), partially mitigated by growth in sales volumes (+7 million euros).

  As for the key trends on the innovation front, it is worth highlighting: (i) a new line of pasta products containing cereals; (ii) new sauces with the quality of fresh sauces; (iii) the performance of dry pasta products with the quality of fresh pasta (volumes: +23% YoY) where the product range was widened further; and (iv) the new range of mixes of semolina, rice, ancient grains and pulses (+73%). In the fresh pasta segment, sales of pan-fry gnocchis continued to grow (+18%), with new products added to the range; annual sales reached 14,966 tonnes.

- Garofalo delivered volume and profit growth in its branded markets in a virtually stagnant market. Overall revenue was flat as sales to other secondary markets where it is positioned on price fell. Its share of the premium dry pasta segment in Italy increased to 5.1% by volume and 7.6% by value. Its distribution reach was expanded to all of Europe in 2017 and at the end of the year it launched a range of premium quality fresh pasta products.

- United States. As observed in 2016, this market is notably sluggish: in 2017 it contracted by 1.2% in volume terms and by 2.3% in value terms, evidencing strong price-led competition (buoyed by the downtrend in hard wheat prices during the first half of the year). The health and well-being segment fell sharply (contracting 4.4%, with only the gluten-free line continuing to expand), hitting our longest-standing brands the hardest (Healthy Harvest, Garden Delight, Smart Taste); the gluten-free and organic products continued to registered growth, albeit at a slow pace.

Riviana managed to defend its share of the pasta market (18.9%), offsetting the contraction in the health segment with growth in traditional products under the Ronzoni and American Beauty brands.

- Canada. The trends in the dry pasta market echoed those of its neighbor (the Canadian hard wheat market is an almost mirror reflection of the US market except for the rate of exchange between the two currencies) albeit even more pronounced: this market declined by 1.2% by volume and 3% by value. Some of the country's biggest retailers are competing on price, shaping this trend. This price competition prompted the Group to withdraw one of the brands that was being used as a pawn in this low-cost strategy from the shelves of one of Canada's major supermarket retailers, with a significant impact on sales volumes albeit not on profitability. Nevertheless, Catelli Foods continued to lead the market with a share of 28.0% by volume. The fresh pasta segment registered growth by volume and value of 8% and 5%, respectively, and Olivieri leveraged innovation to extend its leadership, with a market share of 46.8%.

EBITDA registered growth of 3.7%, fueled by Garofalo, which posted record profits thanks to an enhanced product mix and the success of its procurement policy. The first-time contribution by Vegetalia virtually offset the impact of exchange rate trends. The advertising spend was cut back by 7% as the campaigns were aligned with the market reality.

France increased its contribution to 101.2 million euros, which, excluding the contribution by Vegetalia, meant emulating the prior-year record. Panzani had to tackle two key issues: (i) the contraction in unbranded/price-driven markets; and (ii) a lower contribution by the Roland Monterrad products as a result of more intense price competition. These problems were offset by: (i) considerable growth in branded product sales volumes; (ii) a better product mix as a result of portfolio renewal; and (iii) productivity gains.

Garofalo contributed 25.7 million euros, up 28% from 2016 (in which growth was 16%). This company so extended its impeccable track record in a deflated market in which it boosted its profitability by extending the reach of its brand in collaboration with other Group companies and by means of astute purchasing of top-quality durum wheat.

The contribution of the North American pasta segment narrowed slightly (-1.5 million euros) with the US and Canada posting contrasting trends. In the US, the drop in sales volumes in the health and well-being segment resulted in a less-profitable product mix, which was exacerbated by a short position during the summer months in which durum prices suddenly took off, generating a year-on-year increase in procurement costs of 4.2 million US dollars. In Canada, however, despite the drop in volumes, profitability was reinforced while the stock position in the summer months was more favorable so that profits increased in both the dry and fresh pasta segments.

Operating profit improved year-on-year due to the recognition in 2016 of a non-recurring provision to cover regulatory changes in the treatment of pension commitments in France. **Capital expenditure** was concentrated on: (i) the upgrade of one of the dry pasta factories to add capacity and enhance productivity (6 million euros); (ii) a new fast-cook couscous production line (2 million euros); (iii) a new pan-fry gnocchi line (4 million euros); (iv) a new long pasta production line in St. Louis (6 million euros); and (v) the upgrade of packaging lines in the US (3 million euros).

Non-financial information (including staff and environmental disclosures)

The following section includes non-financial information in keeping with Spanish Royal Decree-Law 18/2017, which transposes Directive 2014/95/EU of the European Parliament and of the Council of October 22, 2014 into Spanish law.

Sustainability model

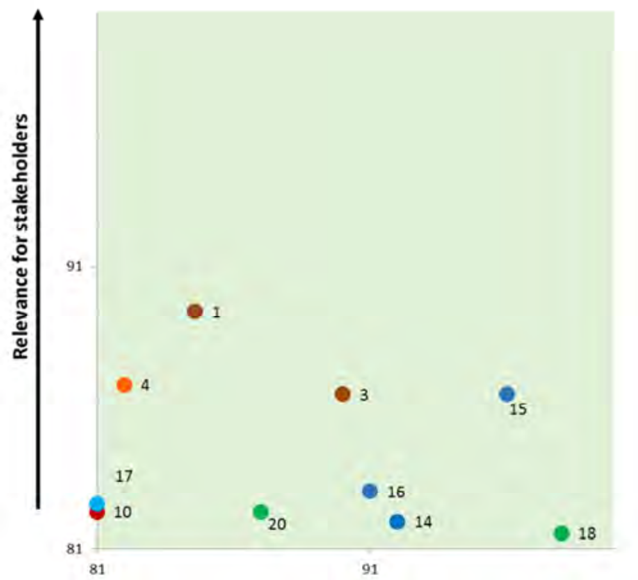
The Group defines its corporate social responsibility (CSR) effort as the creation of a sustainable business model that, in addition to creating value, profitability and competitiveness, contributes to society's progress and earns the confidence of its stakeholders.

In defining and designing this sustainability model, the Group followed a structured three-step process:

1. Performance of a detailed analysis of our value chain with the aim of identifying potential risks and impacts, whether positive or negative, on our operations. This process identified two key areas in which the Group has a greater ability to contribute to society as they relate to key components of our core business: (i) nutrition and health; and (ii) agricultural development, by fostering and rolling our sustainable farming practices.

2. Reaching out on an ongoing basis to our internal and external stakeholders, enabling us to identify their main concerns and build their suggestions into the design and implementation of the Group's action plans. The frequency and form of communication with each varies depending on the Group company engaging with them and the reason for the consultation or meeting, albeit framed by a minimum number of interactions per year.

3. Updating our materiality assessment in the course of 2017, with the assistance of Forética.



Three aspects stand out for their relevance for the organization and its stakeholders:

- Maximizing sustainability, quality and food safety all along the value chain
- Preventing accidents and damage by enhancing workplace safety (direct and indirect (production and distribution) employees)
- Implementing environmental policies (particularly those related with climate change and responsible water management)

OCCUPATIONAL HEALTH AND SAFETY (EMPLOYEES AND SUPERVISED WORKERS)	
1	Preventing accidents and damage by enhancing workplace safety for direct employees and supervised workers
3	Fostering compliance with human rights all along the value chain
JOB QUALITY	
4	Managing the Group's human resources responsibly (equality, work-life balance, diversity)
SPEARHEADING INNOVATION	
10	Investing to develop better food solutions for society
PROMOTING HEALTHY AND SUSTAINABLE FOODS	
14	Committing strategically to the use of raw materials farmed in accordance with environmental and social sustainability criteria for input into ready meal solutions
15	Encouraging sustainable farming and production of the key raw materials used
16	Fostering good sustainability practices along the supply chain
MAXIMIZING FOOD QUALITY AND SAFETY	
17	Driving the implementation of management systems and tools designed to maximize food quality and consumer information transparency
IMPLEMENTING ENVIRONMENTAL POLICIES	
18	Embedding the effort to slow climate change into the organization's core values
20	Developing policies and making investments designed to reduce and rationalize the consumption of water

As a result of this three-step process the Group has identified five strategic axes - Our Team, Our Community, Our Audience, Our Shareholders and Our Environment, along with five lines of initiative organized around the economic, environmental, social and governance dimensions, namely: Corporate Governance, Social Well-Being In&Out, Food & Nutrition, Sustainable Purchasing and Climate Change.

Pivoting around these axes and lines of initiative are 13 key work priorities designed to ensure that sustainability is embedded into every aspect of the business.

Alliances with community work and environmental protection entities and institutions

The Ebro Group and its Foundation are members of or have established alliances with various multi-stakeholder organisms and platforms whose mission is to encourage businesses to commit to society and environmental protection and help them put their commitments into action. These memberships and alliances amplify the scope of the initiatives undertaken under the umbrella of the Group's CSR strategy.

Among these entities, the following stand out:

UN Global Compact Network Spain WE SUPPORT	Signatory of the United Nations Global Compact https://www.unglobalcompact.org/
SDGF	Member of the Advisory Committee of the United Nations Sustainable Development Goals Fund (SDGF) for the support of the Sustainable Development Goals (SDGs) http://www.sdgfund.org
La alimentación no tiene desperdicio aprovéchala	Member of the Redistribution Committee of the initiative run by the Spanish association of food manufacturers and retailers, AECOC, to prevent food waste under the slogan, 'Food is not for wasting, make the most of it' http://www.alimentacionsindesperdicio.com/
seres fundación sociedad y empresa responsable	Member of the SERES Foundation, an entity devoted to engaging enterprises in the effort to improve society http://www.fundacionseres.org/Paginas/Inicio.aspx
Miembro de Forética	Member of Forética, an association of socially responsible enterprises http://www.foretica.org/
FUNDACIÓN LEALTAD	Member of the Lealtad Foundation, a non-profit institution that provides information designed to help enterprises decide which NGOs to collaborate with http://www.fundacionlealtad.org/
Secot	Patron of the SECOT Foundation, a mentoring NGO http://www.secot.org/
SAI	Sustainable Agriculture Initiative (SAI) Platform http://www.saiplatform.org/

External assessments

Ebro Foods has been traded on the FTSE4Good Index Series, an international sustainability index encompassing companies that demonstrate their commitment to and leadership on ESG matters, since 2015. Membership of this index endorses Ebro as a socially responsible investment vehicle.

Sustainability management

Economic dimension

Objective: To uphold the principles of transparency, veracity, continuous information and immediacy.

The commitment to our shareholders is to strive to maximize profits in a sustainable and fair manner and attempt to foster a climate of trust by means of transparent, timely and opportune communication.

Relations with our shareholders are also framed by the principles of non-discrimination and equal treatment of all shareholders who are in the same position and are not subject to conflicts of interest.

Thousands of euros	2016	2017	2017/16
Dividends paid to the equity owners of the parent	83,087	87,703	5.56%

Social dimension

Commitment to human rights. Ensuring respect for human rights all along our value chain is one of the Group's priorities in the CSR arena. To put this pledge into action, it bases its efforts on the UN's Universal Declaration of Human Rights, the UN's Guiding Principles on Business and Human Rights and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work.

This commitment is embodied in our Code of Conduct, which sets down the principles and values that must guide the conduct and actions of the companies and individuals comprising the Ebro Foods Group. It is similarly enshrined in our Code of Conduct for Suppliers, which establishes the principles, rules and business practices that must be upheld by our suppliers in the course of doing business with the Group and its professionals.

Claims mechanisms and follow-up. The main claims mechanism is the whistle-blowing channel set up under the scope of the Code of Conduct (canaldedenuncias@ebrofoods.es), which any of the parties bound by the Code can use to notify any breach of its principles. Reporting parties' confidentiality is fully guaranteed. The only party with access to that e-mail account, which is secured to prevent unauthorized access, is the Chairman of the Audit and Control Committee, who is tasked with prioritizing, processing, investigating and resolving claims as a function of their importance and nature, with the assistance of the Compliance Department.

In addition, the Group engages regular external audits of the workplaces located in developing markets.

On the supplier front, in addition in internal audits, since 2016, the Group has been using the Sedex platform as its management tool.

The Group's objectives for the next two years include working on the following aspects: 1) the due diligence process, with the aim of identifying the most significant impacts of our organization on human rights and establishing the required safeguards; and 2) the design of awareness-raising and training programs.

Our Team

Objective: To foster the development of the Group's human capital and build an optimal work climate propitious to retaining talent and aligning employees with the organization's general objectives.

One of the most important sources of value creation at the Ebro Group is its more than 6,473 professionals. A close-knit team of talented professionals aligned with the organization's strategy. Through the various subsidiaries' HR departments, the Group strives to motivate them, offer them rewarding work and nurture their professional skills and knowledge.

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

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

1. Workplace health and safety.

2. Training and career development for all employees.

3. Non-discrimination, diversity and equal job opportunities (this commitment includes aspects related to gender equality, the employment of people with differing abilities and promotion of different cultures).

4. The freedom of association.

5. Compliance with collective bargaining rights.

Analyzing the content of the various programs rolled out by the Group's most important business units, the Group's human resources management effort can be said to be articulated around five cornerstones; different lines of initiative are established under each depending on the Group company in question.

Career development

- Training
- Mobility
- Promotion opportunities
- Performance management

Work climate

- Work-life balance
- Internal communication

Remuneration

- Fixed remuneration
- Variable remuneration
- Flexible remuneration scheme
- Mobility supplement

Benefits

- Aid for studies pursued by employees' children
- Pension plans
- Life insurance
- Health insurance
- Payroll advances
- In-kind remuneration
- Grants for medical care

Diversity

- Gender equality plans
- Programs for the integration of persons with differing abilities

LABOR PERFORMANCE INDICATORS

Scope of the report

Compilation of this report factored in all of the companies that perform the Ebro Group's core businesses, except for Geovita and Transimpex, which were consolidated for the first time in mid-2017.

The data provided in this section were prepared in accordance with the Global Reporting Initiative (GRI) G4 Guidelines.

2017 MANAGEMENT REPORT (figures in thousands of euros)

Snapshot of our workforce in 2017

MEN

No.	%
3,849	70.49%

Age	% men	Tot. men
<= 30	14.21%	547
30/50	53.78%	2,070
>= 50	32.01%	1,232

Indefinite contracts	Indefinite contracts (%)
3,500	90.93%

Executives and middle management	Executives and middle management (%)
1,159	15.55%

Net job creation	Turnover
126	3.27%

% of new hires
61.56%

Total trained	% trained
2,626	68.23%

Persons w/ differing abilities	% Differing abilities
77	2.00%

TOTAL WORKFORCE

TOTAL
6,473

Employees
5,460

Hires
999

Self-employed professionals
14

WOMEN

No.	%
1,611	29.51%

Age	% women	Tot. women
<= 30	16.64%	268
30/50	53.45%	861
>= 50	29.92%	482

Indefinite contracts	Indefinite contracts (%)
1,451	90.07%

Executives and middle management	Executives and middle management (%)
294	18.25%

Net job creation	Turnover
129	8.01%

% of new hires
38.44%

Total trained	% trained
1,057	65.61%

Persons w/ differing abilities	% Differing abilities
23	1,43%

Organizational profile
[G4-10]

Average workforce

	No. of workers		% of total workforce	
Type of workers	2017	2016	2017	2016
Employees	5,460	5,277	84.55%	85.33%
Contractors	999	898	15.43%	14.52%
Self-employed	14	9	0.22%	0.15%
Total workforce	**6,473**	**6,184**		

2017 MANAGEMENT REPORT (figures in thousands of euros)

Breakdown of the workforce by continent:

Continent	Type of workers	2017	2016	2017	2016
Africa	Employees	344	354	5.31%	5.72%
	Contractors	30	30	0.46%	0.49%
	Self-employed	0	0	0.00%	0.00%
Total Africa		**374**	**384**	**5.78%**	**6.21%**
Asia	Employees	232	185	3.58%	2.99%
	Contractors	265	191	4.09%	3.09%
	Self-employed	5	5	0.08%	0.08%
Total Asia		**502**	**381**	**7.76%**	**6.16%**
Europe	Employees	3,272	3,114	50.55%	50.36%
	Contractors	507	462	7.83%	7.47%
	Self-employed	9	4	0.14%	0.06%
Total Europe		**3,788**	**3,580**	**58.52%**	**57.89%**
North America	Employees	1,612	1,624	24.90%	26.26%
	Contractors	197	215	3.04%	3.48%
	Self-employed	0	0	0.00%	0.00%
Total North Americ		**1,809**	**1,839**	**27.95%**	**29.74%**
	Total workforce	**6,473**	**6,184**		

Breakdown of the workforce by gender

	Total		% of total Group employees	
Employees	**2017**	**2016**	**2017**	**2016**
Men	3,849	3,803	70.49%	72.07%
Women	1,611	1,474	29.51%	27.93%
Total employees	**5,460**	**5,277**		

Breakdown of employees by contract type

The Ebro Group offers its professionals stable and quality employment and a solid, structured and attractive career opportunity. Ninety-one per cent of jobs at the Group are indefinite contracts *(indefinite plus at-will contracts)*.

2017 MANAGEMENT REPORT (figures in thousands of euros)

	Total		% of total Group employees	
Contract type	2017	2016	2017	2016
No. on indefinite/permanent contracts	3,339	3,187	61.15%	60.39%
No. on temporary or fixed-term contracts	509	466	9.32%	8.83%
At-will arrangements	1,612	1,624	29.52%	30.78%
Total employees	**5,460**	**5,277**		

Breakdown of employee contract type by continent

		Total		% of total employees by continent	
Continent	Contract type	2017	2016	2017	2016
Africa	No. on indefinite/permanent contracts	141	158	40.99%	44.63%
	No. on temporary or fixed-term contracts	203	196	59.01%	55.37%
	At-will arrangements	0	0	0.00%	0.00%
Total Africa		**344**	**354**	**6.30%**	**6,71%**
Asia	No. on indefinite/permanent contracts	232	185	100.00%	100.00%
	No. on temporary or fixed-term contracts	0	0	0.00%	0.00%
	At-will arrangements	0	0	0.00%	0.00%
Total Asia		**232**	**185**	**4.25%**	**3.51%**
Europe	No. on indefinite/permanent contracts	2,966	2,844	90.65%	91.33%
	No. on temporary or fixed-term contracts	306	270	9.35%	8.67%
	At-will arrangements	0	0	0.00%	0.00%
Total Europe		**3,272**	**3,114**	**59.93%**	**59.01%**
North America	No. on indefinite/permanent contracts	0	0	0.00%	0.00%
	No. on temporary or fixed-term contracts	0	0	0.00%	0.00%
	At-will arrangements	1,612	1,624	100.00%	100.00%
Total North America		**1,612**	**1,624**	**29.52%**	**30.78%**
	Total employees	**5,460**	**5,277**		

Breakdown of employees by age

	Total		% of total Group employees	
Age brackets	2017	2016	2017	2016
<= 30	815	758	14.93%	14.36%
30/50	2,931	2,798	53.68%	53.02%
>= 50	1,714	1,721	31.39%	32.61%
Total employees	**5,460**	**5,277**		

2017 MANAGEMENT REPORT (figures in thousands of euros)

Employee-management relations

Collective bargaining [G4-11]

Seventy per cent of the Group's employees are covered by the collective bargaining agreements in effect in their respective business areas or other kinds of labor agreements.

The remaining 30% comprises the Ebro Group's top management tier, its professionals at its US companies (where collective bargaining agreements have been obsolete for over two decades) and Herba Egypt, a country where this legal concept similarly does not exist. Nevertheless, all of those professionals are protected by the labor legislation prevailing in their home markets, their respective staff policies and the guidelines stipulated in the Group's Code of Conduct.

Diversity and equal opportunities

Breakdown of employees per employee category according to gender, age group and other indicators of diversity [LA12]

	No. of workers		% of total Group employees	
Job category	2017	2016	2017	2016
Executives	141	153	2.58%	2.90%
Middle management	790	608	14.47%	11.52%
Clerical staff	680	737	12.45%	13.97%
Support staff	1,214	212	22.23%	4.02%
Sales staff	253	219	4.63%	4.15%
Other	2,382	3,348	43.63%	63.45%
Total employees	**5,460**	**5,277**		

	No. of men		No. of women		Men/Total category, %		Women/Total category, %	
Job category	2017	2016	2017	2016	2017	2016	2017	2016
Executives	114	121	27	32	80.85%	79.08%	19.15%	20.92%
Middle management	523	401	267	207	66.20%	65.95%	33.80%	34.05%
Clerical staff	264	332	416	405	38.82%	45.05%	61.18%	54.95%
Support staff	864	138	350	74	71.17%	65.09%	28.83%	34.91%
Sales staff	166	146	87	73	65.61%	66.67%	34.39%	33.33%
Other	1,918	2,665	464	683	80.52%	79.60%	19.48%	20.40%
Total	**3.849**	**3,803**	**1,611**	**1,474**	**70.49%**	**70.49%**	**29.51%**	**27.93%**

2017 MANAGEMENT REPORT (figures in thousands of euros)

Job category	2017					
	Men			Women		
	<= 30	30/50	>= 50	<= 30	30/50	>= 50
Executives	1	62	51	0	23	4
Middle management	19	338	166	47	162	58
Clerical staff	44	143	77	62	227	127
Support staff	132	364	368	34	177	139
Sales staff	24	86	56	18	48	21
Other	327	1,077	514	107	224	133
Total	**547**	**2,070**	**1,232**	**268**	**861**	**482**

Employees with disabilities

	Men		Women	
Disability	2017	2016	2017	2016
No. of employees with disabilities	77	82	23	29

In Spain, the Group has championed several initiatives associated with the integration of individuals with special needs into society and the workforce by contracting certain services with a number of 'special job centers'.

The services procured under these arrangements amounted to 81,057.23 euros in 2017.

ENTITY	CONCEPT	AMOUNT
C.E.E AFANIAS	Printing labors	4,873.15€
C.E.E CADEMADRID	Printing labors	546.92€
FUNDACIÓN PRODIS	Christmas cards	3,102.44€
C.E.E INSERCIÓN PERSONAL DISCAPACITADOS "IPD"	Office cleaning of Madrid headquarters	72,534.72€
	AGREGGATE...	**81,057.23€**

2017 MANAGEMENT REPORT (figures in thousands of euros)

Employment

Total number and rates of new employee hires and employee turnover [LA1]

	Total employees		% of total Group employees	
Type of turnover	2017	2016	2017	2016
No. of new hires	1,025	969	18.77%	18.36%
No. of employees taking voluntary leave	508	503	9.30%	9.53%
No. of employees let go	192	195	3.52%	3.70%
No. of employees retiring	58	72	1.06%	1.36%
No. of employees permanently disabled	11	15	0.20%	0.28%
No. of employees deceased	12	14	0.22%	0.27%

Turnover	2017	2016	2017	2016
No. of new hires	631	624	394	345
No. of employees taking voluntary leave	326	284	182	219
No. of employees let go	134	143	58	52
No. of employees retiring	37	53	21	19
No. of employees permanently disabled	10	8	1	7
No. of employees deceased	8	9	4	5

OVERALL Turnover	
2017	2016
4.67%	3.51%

MALE Turnover		FEMALE Turnover	
2017	2016	2017	2016
3.27%	3.55%	8.01%	3.39%

Net job creation

2017	2016
255	185

Net job creation

2017		2016	
Men	Women	Men	Women
126	129	135	50

2017 MANAGEMENT REPORT (figures in thousands of euros)

Occupational health and safety

Joint management–worker health and safety committees [LA5]

One hundred per cent of our employees are covered by health and safety measures. The health and safety effort takes the form of a mix of in-house and outsourced services.

Health and safety: investment, training hours and cost

	2017
Investment	2,305,596.17
Training hours	30,560
Training costs	488,032.52

Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities [LA6]

Note: to calculate the indices and rates, a multiplication factor of 200,000 was used (50 working weeks of 40 hours for every 100 employees). Accordingly, the resulting rate is linked to the number of employees and not the number of hours worked.

Injury rate

Employees		Employees		Contractors		Contractors	
No. of injuries	Injury rate	No. of injuries	Injury rate	No. of injuries	Injury rate	No. of injuries	Injury rate
2017		2016		2017		2016	
298	5.95	276	5.62	44	5.26	57	7.23

Occupational diseases rate

Employees		Employees		Contractors		Contractors	
No. of diseases	Occ. diseases rate	No. of diseases	Occ. diseases rate	No. of diseases	cupational diseases r	No. of diseases	Occ. diseases rate
2017		2016		2017		2016	
21	0.42	20	0.41	0	0	0	0

Lost day rate

Employees		Employees		Contractors		Contractors	
Days lost	Lost day rate	Days lost	Lost day rate	Days lost	Lost day rate	Days lost	Lost day rate
2017		2016		2017		2016	
9,101	181.6	8,309	169.1	451	53.96	590	74.82

Absenteeism

2017 MANAGEMENT REPORT (figures in thousands of euros)

Employees		Employees		Contractors		Contractors	
Days absent	Absentee rate	Days absent	Absentee rate	Days absent	Absentee rate	Days absent	Absentee rate
2017		2016		2017		2016	
56,371	4.31%	51,389	4.00%	2,350	1.06%	1,320	0,64%

- No. of work-related fatalities - employees: 0
- No. of work-related fatalities - contractors: 0

Note: the data do not include data for self-employed professionals as this category did not have any impact on the items measured in either reporting period.

Training and education
[LA9]

Total number of employees receiving training by employee category

Category	No. of employees receiving training	% of total employees per category
Executives	85	60.28%
Middle management	602	76.20%
Clerical staff	425	62.50%
Support staff	1,155	95.14%
Sales staff	159	62.85%
Other	1,257	52.77%
Total	**3,683**	

Number of employees receiving training broken down by gender and employee category

Job category	No. of employees receiving training		% of total employees by gender and category	
	No. of men	No. of women	% men	% women
Executives	65	20	57.02%	74.07%
Middle management	409	193	78.20%	72.28%
Clerical staff	169	256	64.02%	61.54%
Support staff	823	332	95.25%	94.86%
Sales staff	106	53	63.86%	60.92%
Other	1,054	203	54.95%	43,75%
Total	**2,626**	**1,057**	**68.23%**	**65,61%**

2017 MANAGEMENT REPORT (figures in thousands of euros)

Average hours of training per year per employee by gender, and by employee category:

	Men		Women	
Job category	**2017**	**2016**	**2017**	**2016**
Executives	1,470	1,265	414	519.5
Middle management	11,378.5	10,014.5	4,274.5	3,628.25
Clerical staff	5,076	8,569	6,833	7,295
Support staff	52,351	3,031	23,786	806
Sales staff	2,558.5	1,469	805	1,002.75
Other	18,604.5	74,728.5	2,611	18,458
Total employees	**91,438.5**	**99,077**	**38,723.5**	**31,709.5**

Our Community

Objective: To contribute to building a fairer society by having a positive impact on our areas of influence.

The Ebro Group makes a significant contribution to the social and economic development of its business communities. Its business activities generate wealth by creating jobs, paying salaries, paying taxes, purchasing goods and services from suppliers, distributing dividends, rolling out community work programs, developing environmental initiatives, engaging with the value chain and investing in R&D.

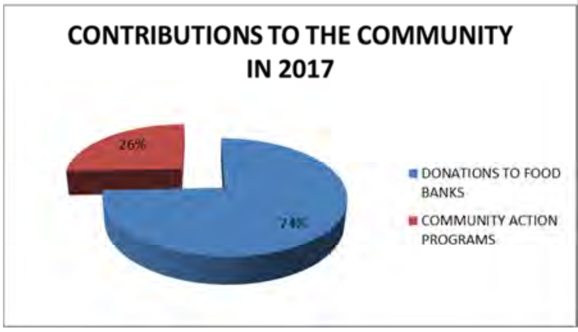
2017 MANAGEMENT REPORT (figures in thousands of euros)

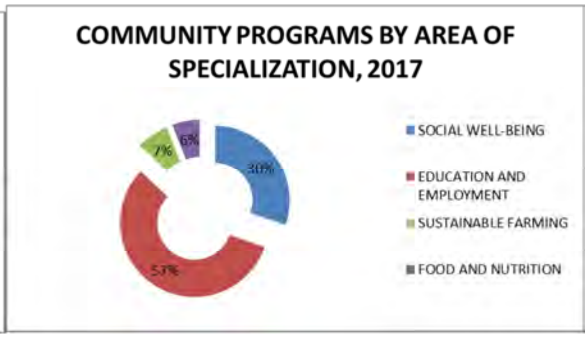
In 2017, the Ebro Group distributed 88% of the income generated during the year to its stakeholders.

	2017	2016
Economic value generated		
Revenue	2,506,969	2,459,246
Other income	44,808	51,898
Finance income	35,505	28,746
Share of profit of associates	4,290	3,042
	2,591,572	**2,542,932**
Economic value distributed		
Raw materials and consumables used and other external	(1,331,011)	(1,314,475)
Employee benefits expense	(338,975)	(331,443)
Other operating expenses	(531,026)	(523,785)
Finance costs	(46,562)	(36,803)
Income tax	(34,157)	(83,591)
Profit/(loss) after tax for from discontinued operations	0	0
Dividends (*)	(93,771)	(85,676)
	(2,281,731)	**(2,375,773)**
Economic value retained	**309,841**	**167,159**

(*) Dividends paid out in the corresponding reporting period

In addition, framed by its community pledge, the Group, through the Ebro Foundation and its various companies, earmarked over 2,250 thousand euros to furthering the progress and well-being of the local communities directly affected by its business activities, collaborating actively on the donation of food, participating in projects set up by various non-profit organizations and championing and executing at its own initiative various projects of social and environmental interest.





Breakdown of monetary contributions made by the Ebro Foundation

- 599 thousand euros of community investment
- 54 entities supported
- 65 projects
- 10 countries
- 17,064 beneficiaries

Our Customers and Consumers

Objective: To provide products that meet the expectations of society in general and of our customers and consumers in particular in terms of quality, nutritional standards, health and well-being. To actively promote healthy lifestyles by means of awareness-raising and training campaigns and programs.

Customers and consumers are two of the key drivers of the firm's development, progression and growth. The Ebro Group articulates a broad universe of tools around these stakeholders with five clearly differentiated objectives:

1. Offering them an extensive, healthy and unique portfolio of products.
2. Anticipating and satisfying their consumption needs.
3. Guaranteeing the stringent quality of its products and services by going beyond the legally stipulated quality standards and requirements to embrace other more exacting ones.
4. Ensuring their health and safety by upholding the strictest food safety rules.
5. Promoting healthy living and eating habits.

The key tools to this end:

- R&D

  This is the way we set ourselves apart from our competitors and how we develop unique technology and products that make it possible to satisfy the needs of our customers and consumers and offer them a well-differentiated portfolio of value-adding products.

  The Ebro Group has a reputation for pioneering the development of new concepts and is known as an engine for innovation in its business segments. By way of example, during the last three years, its new product developments have included: Brillante Sabroz, Lustucru Selection, Quick Pasta, Ancient Grains, SOS Para, SOS Vidasania, Pan-Fry Brillante Products, SOS Platos, Squeezable Sauces, Gluten-Free Products, Wholegrain Rice and Pasta Products, Products Enriched with Fibre/Calcium, Quinoa, Brillante Benefit, etc.

  Around one-third of the Ebro Group's overall annual budget for capital expenditure is earmarked to innovation.

- Food quality and safety control systems

  i. Good Manufacturing Practices (GMP): practices covering the handling, packaging, storage and transportation of fresh products.

  ii. Hazard Analysis and Critical Control Points (HACCP): a system for identifying and controlling potential issues that may arise during the design and production processes.

  iii. Quality assurance rules

- Awareness campaigns addressing healthy lifestyle habits

  By means of the corporate blog, www.sentirsebiensenota.es, the social media profiles of the Group's various brands and dedicated campaigns carried out with third parties, the Group promotes and encourages, internally and externally, healthy lifestyle and eating habits.

Our Suppliers

Objective: To ensure that our suppliers' business activities have a positive impact on their communities and to oversee compliance with ESG criteria in our agricultural supply chain.

One of the cornerstones of the Group's sustainable management strategy lies with ensuring the sustainability of its products along its entire value chain. The first and most important link in this chain is the production and procurement of its agricultural raw materials.

To this end, the Ebro Group is engaging directly with the key players in its supply chain with a dual focus.

On the one hand, it is working shoulder to shoulder with farmers to encourage sustainable farming (along the environmental, economic and social dimensions); on the other, it is working to oversee the performance of its industrial suppliers on corporate responsibility criteria by means of internal and external audits and by working with them on continuous improvement. The management tool being used for this purpose is the Sedex platform.

Environmental dimension

Objective: To minimize the environmental impact of the operations carried out under the umbrella of our industrial activity by means of appropriate management of our natural resources; to ensure environmental efficiency along the supply chain; and to make a contribution to mitigating climate change.

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

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

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

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

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

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

To minimize its environmental footprint, the Group builds environmental protection into its business development and deploys the tools, measures and resources needed to guarantee protection at its companies.

More specifically, the Group's environmental policy is articulated around three lines of initiative:

1. Ensuring that its companies comply with applicable environmental legislation in carrying out their business activities by means of the rollout of in-house management systems and monitoring of prevailing legislation in this arena.

2. Minimizing the environmental impact of its business operations by searching for eco-efficient solutions and continually rolling out initiatives designed to reduce its emissions and waste generation and to optimize consumption of water, energy and packaging materials.

3. Suitably and safely managing all its waste, fostering recycling and reuse. Using recycled and/or environmentally-friendly raw materials whenever possible.

4. Rolling out environmental training and awareness programs for employees.

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

In addition, in 2017, the Ebro Group joined the Farm Alliance (https://coolfarmtool.org/cool-farm-alliance/), an international industry platform committed to promoting the development of sustainable farming by measuring various sustainability parameters such as CO_2 emissions.

ENVIRONMENTAL PERFORMANCE INDICATORS

Scope of the report

Compilation of this report factored in all of the production facilities that comprise the Ebro Group's industrial complex, except for Geovita and Transimpex, which were consolidated for the first time in mid-2017.

The comparison between 2017 and 2016 is distorted by the first-time consolidation in 2017 of the data pertaining to eight production facilities.

The data provided in this section was prepared in accordance with the Global Reporting Initiative (GRI) G4 Guidelines.

2017 MANAGEMENT REPORT (figures in thousands of euros)

Geographic location	No. of reporting facilities	Companies
Europe	**36**	
Spain	11	Herba Ricemills (8) / Harinas Santa Rita (1) / Vegetalia (2)
Portugal	1	Mundiarroz
UK	3	S&B
Italy	2	Mundi Riso / Garofalo
France	11	Panzani / Lustucru / Roland Monterrat / Celnat
Belgium	1	Boost (1)
Netherlands	5	Lassie (1) / Herba Ingredients (4)
Germany	1	Keck
Denmark	1	Danrice
North America	**13**	Riviana (10) Catelli (3)
Africa	**2**	
Morocco	1	Mundi Riz
Egypt	1	Herba Egypt
Asia	**2**	
Thailand	1	Herba Bangkok
India	1	Ebro India
Total	**53**	

Energy

Energy consumed. [EN3]

Analysis of the Ebro Group's total energy consumption:

Direct consumption

Consumption of non-renewable sources of energy (GJ)	2017	2016
Natural gas	3,327,082.48	3,216,215.33
Other	40,174.8	32,403.35
Total	**3,367,257.28**	**3,248,618.68**
Consumption of renewable sources of energy (GJ)	**2017**	**2016**
Biomass	118,424.318	74,302.08
Total	**118,424.32**	**74,302.08**
Total direct consumption	**3,485,681.6**	**3,322,920.76**

(*) *Consisting exclusively of rice husks, a subproduct of our industrial processes.*

2017 MANAGEMENT REPORT (figures in thousands of euros)

Indirect consumption

Intermediate energy acquired and consumed (GJ)	2017	2016
Electricity	1,314,613.2	1,278,710.3
Total indirect consumption	**1,314,613.2**	**1,278,710.3**

Total energy consumption (GJ)	2017	2016
	4,800,294.799	**4,601,631.062**

Water

Water consumption [EN8]

Total water withdrawal by source (m^3)	2017	2016
Water supply	3,445,433.12	2,827,364.94
Ground water	99,047.5	493,681
Total processed water	**3,544,480.62**	**3,321,045.94**
Surface water	**1,7340,000**	**17,340,000**
Total water withdrawal	**20,884,480.62**	**2,0661,045.94**

(*) The surface water withdrawn does not correspond to our industrial activity but rather the farming activity performed by Group subsidiary Rivera del Arroz in Morocco.

Water recycled and reused [EN10]

Total water recycled and reused (m^3)	2017	2016
Water recycled	455,417.36	283,660.53
Water reused	53,681	54,012
Total direct consumption	**509,098.36**	**337,672.53**

Emissions

Direct and indirect GHG emissions (Score 1 and 2) [EN15 | EN16]

GHG emissions (tonnes of CO_2 EQ.)	2017	2016
Direct emissions	189,346.754	182,595.921
Indirect emissions	393,967.958	374,823.017
Total emissions	**583,314.712**	**557,418.938**

Emissions of ozone-depleting substances [EN20]

The Group did not emit ozone-depleting substances.

2017 MANAGEMENT REPORT (figures in thousands of euros)

NO_x, SO_x and other significant emissions [EN21]

Type of gas	2017	2016
NO_x	101.95	51.77
Other emissions	22.82	22.82
Particulate matter (PM)	3.57	2.963
SO_x	12	18.011
Volatile organic compounds (VOC)	2.13	1.894
Total	**142.47**	**97.458**

Only the combustion of natural gas (main source) in our production facilities was considered in calculating the NO_x, SO_x and VOC emissions.

The particulate matter emissions reported are the result of the handling of agricultural commodities at our various facilities. These figures are provided as a guide only as not all of our facilities managed to obtain reliable data. We continue to work on compiling consistent and comprehensive data in this arena.

Non-compliance and sanctions [EN29]

There were two incidents of non-compliance with environmental laws and regulations entailing monetary fines.

Subsidiary	Non-compliance	Fine
Vegetalia	Surpassing the instantaneous peak discharge flow	Monetary fine of 750 euros imposed by the municipal authority, Consorci del Besòs - Tordera
Vegetalia	Discharge limits	Monetary fine of 750 euros imposed by the municipal authority, Consorci del Besòs - Tordera

Environmental expenditures and investments [EN31]

	2017	2016
Management and control expenditures	246,811 €	350,395 €
Environmental protection investments	2,063,558 €	3,334,544 €
Total	**2,310,369 €**	**3,684,939 €**

Biodiversity

As defined in the various national biodiversity strategies, action plans and registers in the various geographies in which our production facilities are located, none of the Ebro Group companies has owned or leased operational sites that are adjacent to, contain or are located in protected areas or areas of high biodiversity value outside protected areas.

2017 MANAGEMENT REPORT (figures in thousands of euros)

3. LIQUIDITY AND FINANCING

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

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

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

Investments | disposals

Acquisition-led growth (asset and business acquisitions)

The main investments completed in 2017 included the acquisition of 100% of Vegetalia (14.7 million euros), 52% of Geovita (20 million euros, 16.5 million euros of which were paid in 2017 with the rest conditional upon delivery of certain earnings targets between 2017 and 2019) and 55% of Transimpex (23.6 million euros, 9.4 million euros of which were paid in 2017, the remainder being conditional upon the exercise of a put option from September 30, 2020). The acquisitions were financed using a mix of internally-generated funds and third-party credit lines.

The Group did not conclude any significant disposals in 2017.

Organic growth

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

Year	Amount (thousands of euros)
2015	81,466
2016	107,724
2017	139,253

2017 MANAGEMENT REPORT (figures in thousands of euros)

The most important investments made in the pasta business in recent years have been concentrated around: (i) the Fresh Pasta Plan, designed to add to fresh pasta production capacity; (ii) the extension and upgrade of dry pasta production lines in the US; and (iii) the installation of a new pasta factory in India. As for the rice business, the most significant investments have centered on the rice-based ingredients project and capacity expansion work in Memphis: (i) a new frozen products factory (19.7 million US dollars already invested with a substantial sum still pending); (ii) the installation of new gluten-free pasta production lines between 2014 and 2016 (totaling 22 million US dollars); and (iii) expansion of the microwaveable cup factory to cater to growth in this segment (4 million US dollars).

Lastly, in 2016 and 2017, the Group invested significantly (27 million euros) in expanding and enhancing its logistics structure.

On the proceeds side, it is worth noting the sale of a site in Houston where a former instant rice factory had been located for 7.8 million US dollars.

Financial position

Group leverage remains highly satisfactory, having moved only slightly in recent years.

NET DEBT (thousands of euros)	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 net debt	424,940	404,137	*-4.9%*	426,042	*5.4%*
Leverage	21.7%	21.3%	*-1.7%*	24.9%	*17.0%*
Leverage (average net debt) ***(1)***	21.6%	19.4%	*-10.1%*	20.5%	*5.7%*
EBITDA	314,724	344,141	*9.3%*	359,000	*4.3%*
Coverage	1.35	1.29		1.44	

Despite a number of acquisitions and a significant capital expenditure effort, the Group's coverage and leverage ratios have hardly been affected, paving the way for continued investments and organic growth and potential acquisitions. Note that 97.2 million euros of borrowings relate to the recognition for accounting purposes of the call options over the outstanding interests in the Garofalo Group, Santa Rita Harinas, Transimpex and the Ingredients Group. For accounting purposes, these unexercised options are recognized as an increase in Group borrowings. The changes in borrowings (without factoring in the net debt assumed pursuant to acquisitions, that recognized in the process of accounting for the above call and put options, changes in the fair value of certain financial assets/liabilities and the impact of exchange rate movements) were shaped by the following sources and uses of cash:

FREE CASH FLOW (thousands of euros)	2015	2016	*2017/2016*	2017	*2017/2016*
Cash from operating activities	254,140	185,661	*-26.9%*	196,719	*6.0%*
Cash used in investing activities	(146,847)	(104,725)	*-28.7%*	(145.254)	*38.7%*
Cash used in share-based transactions	(102,833)	(86,181)	*-16.2%*	(94,308)	*9.4%*
Free cash flow	**4,460**	**(5,245)**		**(42,843)**	

The small year-on-year increase in cash flows from operating activities in 2017 was driven by the growth in EBITDA derived from the income-statement impact of the widespread improvement in business momentum. Despite this, the long inventory position in the rice business (mainly due to strategic needs in the procurement of rice sourced from Southeast Asia and inflation in aromatic rice prices) significantly undermined cash flow generation (having had the opposite effect in 2015).

The other major movements correspond to:

- Capital expenditure. Movements deriving from capex (as detailed above) and the sale and purchase of businesses and non-core assets (properties).

- Share-based transactions. Distribution of dividends (special dividend in 2015), including that paid to minority shareholders.

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

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

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

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

The enterprise risk model is qualitative and quantitative: the impact of the identified risks on the Group's results can be measured, based on defined risk tolerance thresholds at the corporate level. A description of the risk management model and the risks that materialized during the reporting period can be found in the Annual Corporate Governance Report which is an integral part of this Management Report.

The main risks addressed in the model are:

Operational risks:

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

The Group's policy is underpinned by compliance with prevailing legislation and a promise to uphold stringent food quality and safety standards.

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

The main control points are grouped as follows:

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

Most of our food handling processes have obtained certification under either the IFS (International Food Safety), SQF (Safe Quality Food) or the BRC (British Retail Consortium) food safety standards recognized by the Global Food Safety Initiative, as well as other local or product-specific standards (e.g., Kosher, Halal or gluten-free food).

The Group has also defined, developed and implemented a quality, environmental and food safety model which has been certified in accordance with the UNE-EN-ISO 9001 (food safety management systems), UNE-EN-ISO 14001 (environmental management) and ISO 22000 (food safety management).

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

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

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

This risk is managed via:

a) Early identification of potential supply problems or gluts in certain grains or varieties which could expose stocks to price variability. The buyer departments track the markets continually and issue alerts to the managers of the various businesses to enable them to manage the related risks.

b) The Group locks in volumes at fixed medium-term prices when the market is propitious to these kinds of agreements and sales transactions can be negotiated that will generate stable margins throughout the corresponding periods.

c) It also attempts to reduce the number of intermediaries in the markets for local or exotic varieties, compressing the value chain.

d) Lastly, the Group strategically differentiates its finished products and this helps it pass volatility in raw material costs efficiently on to the end consumer.

- Customer concentration risk. This risk factor affects the industrial and retail segments alike (although in the latter instance the end consumer of the products made by the Group are the individuals who eat its foods, the retailers are concentrating - boosting their purchase bargaining power - year after year). This concentration phenomenon can result in less favorable sales terms and conditions, heightened credit risk and even the loss of certain sales.

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

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

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

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

Risks related to the environment and strategy:

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

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

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

  This risk is managed by means of:

  a) Comprehensive analysis of competitor moves and the fine-tuning of pricing and promotional policy in response to the prevailing market situation.

  b) Product differentiation by innovating on formats, range and quality, all with a clear-cut customer focus.

  c) Repositioning in potential high growth potential categories by means of organic business development or acquisitions that meet the criteria stipulated in the Group's investment policy.

- Reputation risk. The risk associated with a potential shift in opinion crystallizing in a negative perception of the Group, its brands or its products by customers, shareholders, suppliers, market analysts or other stakeholders with a potential adverse effect on the Group's ability to maintain its customary relations (commercial, financial, labor, etc.) with these stakeholders.

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

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

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

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

- Country or market risk. The international nature of the Group's activities exposes its business operations to the political and economic circumstances prevailing in the various territories in which it does business, as well as other market variables, such as exchange rates, interest rates, production costs, etc. The fallout from the UK's withdrawal from the European Union (Brexit), referred to further on in this report, falls under this category.

Compliance risk

- Sector regulations. The food manufacturing industry is subject to multiple regulations, which affect export and import quotas and tariffs, intervention prices, etc., all framed by the European Common Agricultural Policy (CAP). In addition, the Group's activities could be affected by regulatory changes in the countries from which it sources its raw materials or to which it sells its products.

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

- General regulations. This category encompasses compliance risk with respect to civil law, company law, criminal law and good governance regulations and recommendations. In terms of the risk of white collar crime, the Group has a crime prevention model which is monitored and controlled by the Compliance Department.

- Tax risk. Potential changes in tax legislation or its interpretation or application by the competent authorities across the Group's business marks could have an adverse effect on its performance.

Financial risk

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

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

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

5. EVENTS AFTER THE REPORTING PERIOD

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 this Management Report for issue.

6. GROUP OUTLOOK

The outlook for the main economies in which the Ebro Group does business is reasonably positive in terms of sentiment, job creation and growth in income levels, although some indicators would appear to be foreshadowing a degree of slowdown that could influence the central banks' monetary policy decisions. These factors bode well for the Group's business performance.

The various political uncertainties linger, albeit somewhat more delimited. Here we refer specifically to the situation in the United Kingdom (Brexit) and the potential consequences for the performance of the European businesses with bases there (in the case of Ebro the impact is limited as the Group's total net assets in the UK amount to approximately 49 pounds sterling). Protectionist temptations (warned of on these pages last year) also remain, with potentially negative repercussions for global trade, competitiveness and price-setting. The Group, via its management teams and risk committee, is watching the related developments closely, taking action insofar as possible to mitigate their consequences in the short term and weighing up possible scenarios over the medium and long term.

As commented in the overview of the general environment and the description of the rice market in particular, despite the fact that the latest harvest was abundant, certain imbalances have arisen (aromatics, US harvest) that have pushed global prices somewhat higher. Elsewhere, the state of the reservoirs at the Guadiana and Guadalquivir River basins at the start of the year pose a threat to the next harvest in these areas, which are an important source of supply for the Ebro Group. Faced by this situation, special precautions have been taken in case the drought were to have a significant impact on the Group's rice supplies.

No major developments are anticipated in the durum wheat market in light of the high quality of the most recent US harvest (far better than usual), coupled with the existence of sufficient wheat stocks, despite the smaller size of the US harvest (non-food uses are expected to decline). Prices stood at under €200/MT in early March 2018 and no major changes are expected before the new harvest, at which point it will be possible to assess the potential impact of the drought in the US on the planted acreage of soft and hard wheat.

As for other important transformation costs, price increases are also expected in certain materials such as packaging board and plastics and transportation.

Elsewhere, a vitally important issue for the business is the strategic commitment to digital transformation: from consumer knowledge and market segmentation to disintermediation and the advent of new players in the retail sector, as well as the approach to advertising and promotional investments. The digital revolution has arrived to stay and although all of its implications are not yet known, the Group is already working to define a specific digital transformation plan.

✓ **Rice business**

In Europe, the outlook for consumption points to growth in the more value-added products such as the cup range, particularly the products focused on the provision of health benefits and convenience (Benefit) and the organic and ecological rice products (Vidasania). A broad range of new products is in the pipeline, including products designed to round out the ready-to-serve range (microwaveable cups) and extension of this concept to related categories such as pulse side dishes and pulse and cereal soups.

In the US the plan is to pare back promotional activity with the aim of lifting net prices so as to absorb the increase in raw material costs. Development of the US market is expected to be driven by the launch of new varieties of instant rice (jasmine rice and wholegrain rice mixed with quinoa) and ready-to-serve cups (launch of the Benefit range). The other categories are expected to prove stable or contract slightly, with the exception of the aromatic varieties, where prices are expected to go up. With US-sourced rice prices relatively high, the potential for exports will be somewhat smaller, which will translate into lower capacity utilization at the Group's facilities; in response the Group has implemented a mitigating efficiency program.

Lastly, it is worth highlighting the rollout of the rice and pasta project in India. In the wake of the major investments made in the past two years, this business has moved on from the initial concept of serving as a supply platform for the Group to focus on the local rice (where retail market has grown by 43% in the last five years) and pasta markets.

✓ **Pasta business**

The European pasta markets are expected to remain stable by volume and value. However, there is significant potential for growth in the organic products, cereal/grain mixes and fresh pasta segments, which is where the Group plans to concentrate its efforts.

Within this category, management believes that the agreement entered into for the acquisition of Bertagni (fresh pasta) fits perfectly with the Group's strategy as it will bring it access to a line of premium-quality fresh pasta that will complement the current offering.

In the US, the market is expected to remain flat in the traditional categories and continue to contract in the health products category (with the exception of gluten-free pasta), to which end the Group has opted to step up its focus on these products with regional brands with the aim of boosting their presence on the supermarket shelves. There are plans to mainstream two new concepts that have worked very well in France: Thick&Hearty (special pasta for sauces) and Homestyle (dry pasta with the quality of fresh pasta).

Lastly, in Canada the fresh pasta segment, which is growing at 4%, represents a very attractive market opportunity, particularly the high-potential gnocchi segment. To this end the Group is planning to rationalize gnocchi production costs so that profits take off.

7. R&D ACTIVITY

The Ebro Foods Group has always been a front-runner in terms of new consumer trends and an international benchmark in the research and development of products applied to the food sector. Aware that R&D is essential to the Group's quality and differentiation strategy, it remained unwaveringly committed to innovation in 2017.

In total, R&D expenditure totaled 4.8 million euros in 2017 (3.5 million euros of which funded internally and 1.3 million euros, externally).

Capital expenditure amounted to 21.3 million euros, most of which corresponded to the new IQF rice and pasta product facilities in the US (entailing the investment of 19.7 million US dollars out of an estimated total of 32 million in 2017); the new facility is fully automated and equipped with next-generation technology and the capacity to produce 48,000 tonnes of products with 19 employees working three shifts.

The Group has articulated its R&D engine around research centers located in France, the US and Spain. These centers and their main projects in 2017 were:

1. CEREC, located in St. Genis Laval (France), with 10 employees, which focuses on the fresh pasta, potato, ready-cooked fresh meals and sauce segments of the pasta business. In 2017, it concentrated on: (i) extension of the fresh pasta range with a premium and bio products line; (ii) further development of the pan-fry gnocchi range adding new varieties and fillings; and (iii) work on an entirely new category: snacks and aperitifs.

2. CRECERPAL, which is located in Marseilles, with eight professionals at the raw material analytical laboratory plus an assistant PhD. This center focuses its research effort on developments in the durum wheat category: dry pasta, couscous, pulses, other grains and new food transformation technology applied to cereals.

In 2017, it made progress on: (i) a new range of pasta products made from other cereals (ancient grains); (ii) organic pasta products made without using any pesticides; and (iii) new varieties of fast-cooking rice and mixes of couscous, pulses and cereals.

3. The US center, which has five employees who work to develop new products, processes and technologies and adapt them for the US rice and pasta divisions. Its work focused on the development of: (i) pasta fortified by fiber-rich pulses; (ii) pasta fortified with protein and organic pasta; and (iii) new pasta products specially conceived for sauces and homestyle pasta (dry pasta with the quality of fresh pasta).

4. Centers associated with the Herba Group in Moncada (Valencia), the San Juan de Aznalfarache plant, the ingredients facility in Wormer (Netherlands) and the Bruno plant, with 18 employees in total devoted to the development of new and/or improved product and technologies and to the provision of technical assistance with rice technology for the fast food and catering hospitality channels. The most important projects these centers are working on include: (i) R&D into new product formulations using pulses, cereals, ancient grains and seeds; (ii) the development of new industrial ingredients based on rice, pulses, quinoa and cereals; (iii) a project, which has received institutional support, researching how to substitute animal protein with vegetable-based products.

8. OWN SHARE TRANSACTIONS

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 delivery plan, it bought back 51,673 shares, sold 25,000 and delivered 26,673 own shares to employees. The Parent did not hold any own shares as treasury stock at December 31, 2017.

9. OTHER RELEVANT DISCLOSURES

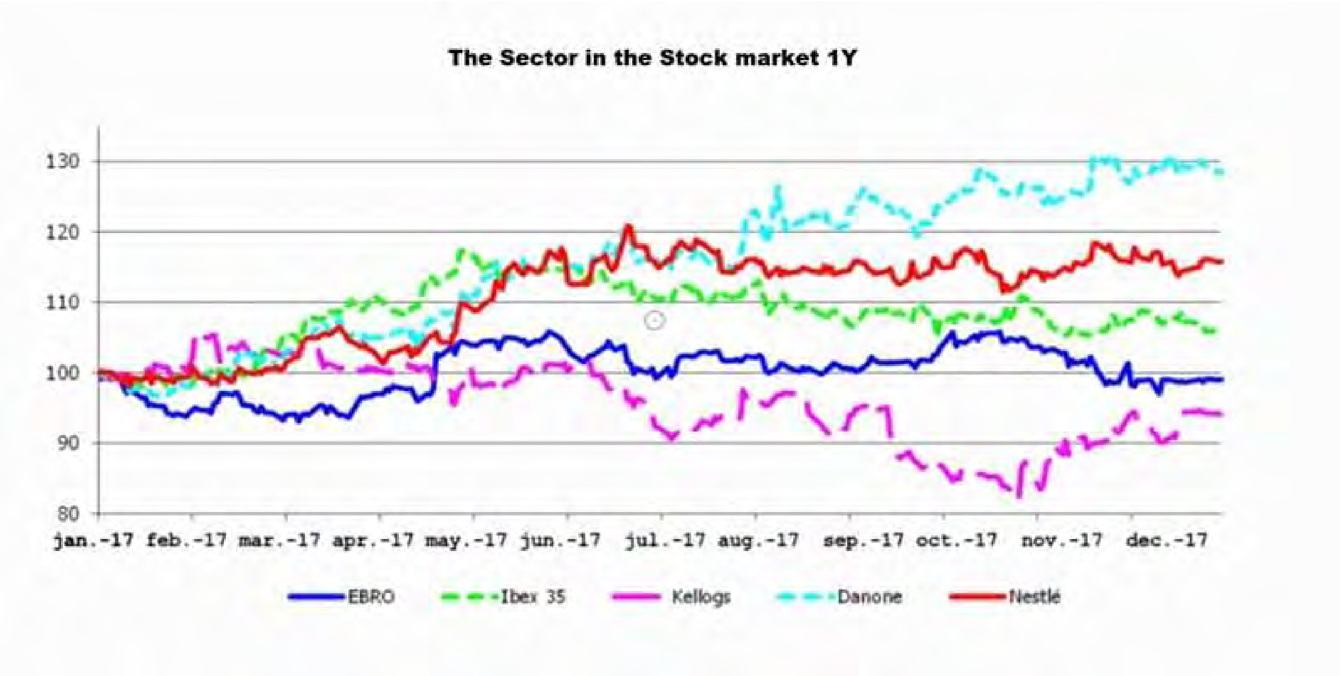
Average payment period

As required under the Spanish Corporate Enterprises Act, it is hereby noted that the average payment period of the companies domiciled in Spain was 29 days in 2017 and 28 days in 2016, within the deadlines stipulated in supplier payment legislation. Calculations made in accordance with the ICAC (Spanish Accounting and Audit Institute) Resolution.

2017 MANAGEMENT REPORT (figures in thousands of euros)

	2017	**2016**
	Days	**Days**
Average supplier payment term	28.6	28.2
Paid transactions ratio	29.5	28.2
Outstanding transactions ratio	23.7	21.6
	Amount (thousands of euros)	**Amount (thousands of euros)**
Total payments made	275,546	301,716
Total payments outstanding	8,755	5,717

Share price performance



The share price traded broadly flat, consolidating the gains notched up in 2016 and confirming the stock as a benchmark for investors looking for less volatile investments.

2017 MANAGEMENT REPORT (figures in thousands of euros)

Distribution of dividends

On June 1, 2017, it was resolved to pay a cash dividend against unrestricted reserves and 2016 profits of 0.57 euros per share over the course of 2017. This dividend was paid in three instalments on April 3, June 30 and October 2, 2017.

Alternative performance measures

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

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

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

The reconciliation of EBITDA and operating profit is provided below:

	2017	2016	2015	Change 2017/2016
EBITDA	**359,000**	**344,141**	**314,724**	**14,859**
Depreciation and amortization	(79,686)	(76,833)	(68,410)	(2,853)
Non-recurring income	11,144	25,598	8,110	(14,454)
Non-recurring expenses	(19,379)	(28,298)	(12,047)	8,919
OPERATING PROFIT	**271,079**	**264,608**	**242,377**	**6,471**

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

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

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

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

Leverage - A measure of creditworthiness calculated as the ratio of average net debt to equity.

Debt coverage ratio - A measure of the Group's ability to service its net debt from earnings measured as the ratio of net debt to EBITDA.