1. COMPANY SITUATION

Ebro Foods S.A. is the parent of the Ebro Foods Group, Spain's largest food group. Through its subsidiaries, it commands a presence in the rice and pasta markets in Europe and North America, as well as a growing presence in other countries.

As a holding company, its overriding objective is to lead, coordinate and foster the development of the Group it heads up, whose strategy is articulated around the provision of healthy food solutions to consumers that enable it to differentiate its brands by means of innovation and new product and format development.

The Ebro Foods Group articulates its management around business segments that combine business activities and their geographic location. Its two key business lines are the production and distribution of pasta and rice and their culinary derivatives and accompaniments. Geographically, it is structured into four major regions: North America, Spain, Europe & RoW.

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

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

The Management Report accompanying the consolidated financial statements provides detailed coverage of key trends in and the performance of the various segments and businesses that comprised the Ebro Food Group in 2017.

2. BUSINESS PERFORMANCE OF EBRO FOODS, S.A.

Ebro Foods, S.A.'s key sources of revenue are the dividends paid by its subsidiaries, the services it provides to these subsidiaries and certain real estate transactions. Its expenditure relates mainly to staff costs and the financial cost of the borrowings taken on in its capacity as parent of the Ebro Foods Group. In addition, depending on developments with respect to the value of its investments in its subsidiaries, it recognizes and reverses impairment provisions on its portfolio of investees as required. Recurring revenue and expenditure were flat year-on-year.

Operating profit amounted to 63,291 thousand euros in 2017, compared to 14,404 thousand in 2016. The increase in operating profit is primarily attributable to the growth in dividend income from subsidiaries (note 8), offset by lower gains on the sale of investment properties (note 7).

Net finance expense amounted to 4,456 thousand euros, compared to 674 thousand in 2016. The difference relates to an increase in the financial cost of the Company's liabilities; a drop in the reversal of impairment provisions on investments in group companies; all offset by net exchange gains on the liabilities denominated in US dollars as a result of the trend in this currency during the year.

Profit after tax accordingly amounted to 58,101 thousand euros, compared to 13,382 thousand euros in 2016.

The most significant developments last year related to its activity as parent of the Ebro Foods Group were the following:

Key investments and exits concluded by the Group

Note 8 to the financial statements lists Ebro Foods, S.A.'s direct investments in group companies and associates. The main transactions coordinated by Ebro Foods, S.A. in 2017:

Investment in Vegetalia:

The Company acquired 100% of the shares of Vegetalia, S.L. and Corporacio Alimentaria Satoki, S.L. (together, “Vegetalia”), through its wholly-owned subsidiary, Panzani, on January 23, 2017. Vegetalia is devoted to the production and distribution of a broad range of organic products. It pioneered the manufacture of plant protein. Its product range includes fresh organic produce, dry organic foods, organic drinks and diet products. The acquisition price was €15 million.

Investment in Geovita:

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

Geovita has three factories, all of which in Italy, specifically in Bruno, San Giovanni Lupatoto and Villanova Monferrato, and a headcount of 94. The Group paid 20,000 thousand euros for its 52% interest, 16,500 thousand euros of which was paid in 2017; payment of the remaining 3,500 thousand euros is subject to delivery of certain targets between 2017 and 2019.

In addition, it has arranged a call option of the remaining 48% (exercisable by the other shareholder over a 10-year period from July 2021). The acquisition price in the event this option is exercised will be determined as a function of the target's average earnings metrics over a series of years, as well as other terms and conditions customary in arrangements of this nature.

Investment in Transimpex:

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

The total investment for 100% of Transimpex amounted to 23,622 thousand euros, of which 9,361 thousand euros was paid in 2017. The Group has committed to pay the outstanding 14,261 thousand euros three years from the close, by September 30, 2020, from which date the sellers are free to exercise their put option at the amount of agreed deferred consideration plus 45% of retained earnings since the date of acquisition.

3. EMPLOYEE AND ENVIRONMENTAL DISCLOSURES

Human capital

Ebro Food's ultimate objective on the labor front is to foster mutually-beneficial labor relations, by making its employees feel vested in the organization, encouraging their career development, promoting equal opportunities and taking a zero-tolerance stance on discrimination and establishing, in a nutshell, a tranquil workplace climate.

Each of the Group companies is governed by the labor legislation prevailing in the countries in which it does business. In addition, the bigger subsidiaries have formulated their own human resource policies that regulate relations between management and employees. Above all of these policies, and notwithstanding the terms of the collective bargaining agreements of the various companies comprising the Ebro Foods Group, there is a corporate Code of Conduct designed not only to ensure the ethical and responsible conduct of the professionals of all Ebro Foods Group companies on the job but also to serve as a guide for defining employment policies and safeguards, workplace health and safety policy, training issues and the principles for guaranteeing the absence of discrimination and the promotion of diversity and equality in hiring decisions.

The key staff disclosures are provided in notes 18.7 and 19 of the accompanying financial statements.

Environmental disclosures

Although the Company's business activities do not imply environmental consequences *per se*, one of Ebro Foods's basic management commitments is to provide its companies with the tools and measures needed to strike an optimal balance between their business activities and environmental protection. Refer to note 19.d to the financial statements for additional information.

4. LIQUIDITY AND FINANCING

Ebro Foods, S.A. manages the Group's financing requirements in respect of strategic matters such as dividend policy and the Group's organic growth. To this end it relies on the cash generated by its subsidiaries which act as guarantors on the long-term loans taken on to facilitate this role.

The Management Report accompanying the consolidated financial statements provides an in-depth overview of the Group's liquidity and financial position.

5. BUSINESS RISK MANAGEMENT TARGETS AND POLICIES

Ebro Foods, in its capacity as the parent of a group of companies, is indirectly exposed to risks affecting its subsidiaries via the valuation of its investment portfolio and the amount of dividends they distribute. The business activities performed by the Ebro Foods Group companies are carried out it an environment shaped by exogenous factors that could influence their business and financial performances.

These risks are mainly environmental, business, financial, borrowings, labor and technology related. These risks and the measures taken to identify, manage and mitigate them are described in detail in both the Management Report accompanying the consolidated financial statements and in the Group's Annual Corporate Governance Report.

On the basis of the main risks identified each year, management assesses the instruments in place for mitigating them and the main associated processes and controls.

Financial risk management and use of financial instruments

The main financial instruments used are bank loans, bank overdraft facilities, cash and short-term deposits. The overriding goal of using these instruments is to expand the sources of financing available to the Group.

In the past, the Company has written derivatives to hedge interest and exchange rate risk. It is Company policy not to use financial instruments for speculative purposes.

The main risks arising from the financial instruments used are credit risk, cash flow interest rate risk, liquidity risk and foreign currency risk.

The Board of Directors reviews and establishes the policies put in place for managing each of these risks, while the Finance Department identifies and manages them with a view to minimizing or ring-fencing their potential impact on the Group's performance.

<u>Credit risk</u>

Ebro Foods, S.A.'s exposure to credit risk is not significantly concentrated. Moreover, it deposits its cash and arranges its financial instruments with highly solvent and creditworthy financial institutions.

<u>Cash flow interest rate risk</u>

The Company is exposed to changes in market interest rates, mainly on account of its non-current payment obligations arranged at floating rates of interest.

The policy deployed to minimize this risk is to combine floating and fixed rates and to strive to achieve a well-balanced debt structure so as to reduce borrowing costs while containing volatility. To this end it tracks interest rate trends with the help of external experts. Whenever deemed necessary, Ebro Foods, S.A. arranges interest rate derivatives.

<u>Foreign currency risk</u>

As a result of the investments made in the US, the carrying amounts of the Company's assets and liabilities are significantly exposed to changes in the USD / EUR exchange rate. It has mitigated this structural exchange-rate risk by denominating specific borrowings in this currency. In this manner, it has hedged the majority of its US investments.

Foreign currency risk also arises from the purchases and sales made by the various subsidiaries in currencies other than the functional currency. In this instance, the subsidiaries themselves arrange their own forward contracts or other exchange rate hedges, in keeping with Group policy.

<u>Liquidity risk</u>

Ebro Foods, S.A.'s objective is to maintain a balance between continuity of funding and flexibility through the use of renewable credit facilities, bank loans and short-term deposits.

6. EVENTS AFTER THE REPORTING PERIOD

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

7. BUSINESS OUTLOOK

Ebro Foods' earnings performance going forward will depend on the dividends received from its subsidiaries, the gains recognized on properties deemed non-core and the finance costs incurred on the debt taken on to finance its assets.

The Company's directors believe that the dividends declared by its subsidiaries will be sufficient to enable Ebro Foods to fund an adequate shareholder remuneration policy.

8. R&D

R&D initiatives are shaped by the subsidiaries' strategic initiatives (to which end we refer the reader to the Management Report accompanying the consolidated financial statements).

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

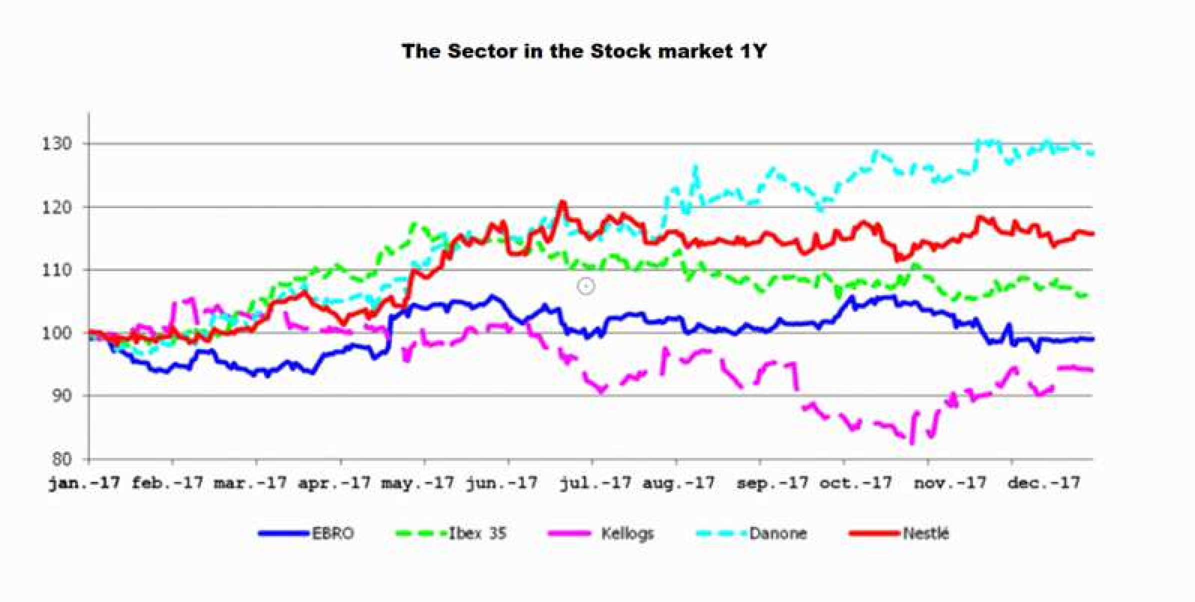
10. OTHER RELEVANT DISCLOSURES

Average payment period

The Company paid its suppliers at 26 days on average in 2017.

	2017	**2016**
	Days	**Days**
Average supplier payment term	26	21
Paid transactions ratio	26	21
Outstanding transactions ratio	99	4
	Amount (thousands of euros)	**Amount (thousands of euros)**
Total payments made	9,170	12,676
Total payments outstanding	1	60

Share price performance



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.