EBRO FOODS, S.A. CONSOLIDATED GROUP

2015 MANAGEMENT REPORT (figures in thousands of euros)

1. COMPANY SITUATION

Organizational structure and business model

The Ebro Foods Group is Spain's largest food company. 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.

The Group has decentralized certain areas of each business's management with a view to focusing on the business while maintaining a lean and dynamic structure that prioritizes performance, cohesion and market knowledge over a personality-driven culture.

The Ebro Foods Group articulates its management around business segments that combine business activities and their geographic location. The two core business lines are:

The rice business: the production and distribution of rice and its culinary derivatives and accompaniments. It consists of industrial and branding activities, with the Group pursuing 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 and its subsidiary, American Rice or ARI).

Pasta business: the production and marketing of dry and fresh pasts, sauces, semolina products, their culinary derivatives and accompaniments, carried out by the New World Pasta Group in the US, the Panzani Group and the Garofalo Group (rest of world).

Decision-making is spearheaded by the Board of Directors, which is ultimately responsible for defining the Group'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.

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 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 variety 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 from farmers, cooperatives and milling companies that provide the basic raw material used in the productive process, the required milling and/or transformation being carried out at the Group's factories. The processes performed 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.

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

Strategic objectives

The Group's strategic objective is to be a benchmark player in the rice and pasta markets and in segments of relevance to both areas such as meal solutions. It also aims to achieve a meaningful position in a highly global market and to spearhead innovation in its leading geographies, these ambitions trickling over to related products such as value-added legumes and noodles.

In order to deliver these strategic objectives, the Group taps a series of growth levers it deems key to increasing the value of the business, as enshrined in the various three-year business plans:

- Organic and M&A-led growth in large and established markets and, in parallel, the search for opportunities in high growth potential developing markets.
    - Penetration of new markets and product categories with a strategic focus on new fresh products (aperitifs, chips, omelettes, sandwiches, prepared dishes) and new and more value-added ingredient ranges.
    - Development of products that offer a fuller culinary experience by adding new formats (maxi-cups, etc.), flavours (cup and sauce ranges) and meal solutions (pan-fried rices and pasta dishes, SOS dishes, etc.)
    - Significant positioning in the healthy and organic food segments by leveraging new concepts based on ancient grains, gluten-free foods, quinoa, etc. Here it is worth highlighting the acquisition of Celnat, SAS, a specialist in premium organic products which will be integrated into an independent division to be called Alimentation Santé.
    - Leadership in mature markets by focusing strategically on product quality. Expansion and leadership of the premium products category. Development of the Garofalo brand.
    - 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 and specialist players in niche segments (RiceSelect, Monterrat, Cerlat) 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).
        - Entry into new business niches in existing markets (India, Middle East, Eastern Europe and Africa).
        - Expansion of success formulae into markets in which Ebro is already present (fresh products).

- Product differentiation and innovation. The Ebro Foods Group's product development strategy is structured around two articulating lines of initiative:
  - Research, development and innovation (R&D). The Group has four proprietary R&D centers. Its investment policy is designed to allow the crystallization of new ideas and consumer needs into tangible customer solutions.
  - The Group aims to have the leading brands in its respective segments, to which end it supports them with the required advertising budgets.

- Low risk exposure. The business has been marked by growing raw material price volatility in recent years, coupled with accelerating changes in consumer trends. The Ebro Group faces these challenges through firm strategic commitments to both change and sustainability. To this end it seeks balanced sources of recurring income (markets, currencies), low leverage in order to withstand financial turbulence, new sources of supply and the establishment of long-term relationships with its stakeholders (customers, suppliers, directors, employees, society).

2. BUSINESS PERFORMANCE AND RESULTS

Business environment

The economic recovery gathered momentum in the eurozone in 2015 even though year-on-year GDP growth did not rise above 1.5%. The recovery is being driven by growth in domestic demand (growth in new car registrations of 11%) fueled by expansive monetary policy (with interest rates at close to zero, giving small and medium sized enterprises a breather on the financing front) and oil prices at a 10-year low, freeing up consumer and corporate spending power. Despite the improvement, evident in higher employment levels and consumer confidence readings, the end of the year was clouded by several sources of political instability (Brexit, political instability in certain EU member states) and social crises (refugee crisis, population ageing), which, coupled with the issues affecting the emerging markets, could hamper growth.

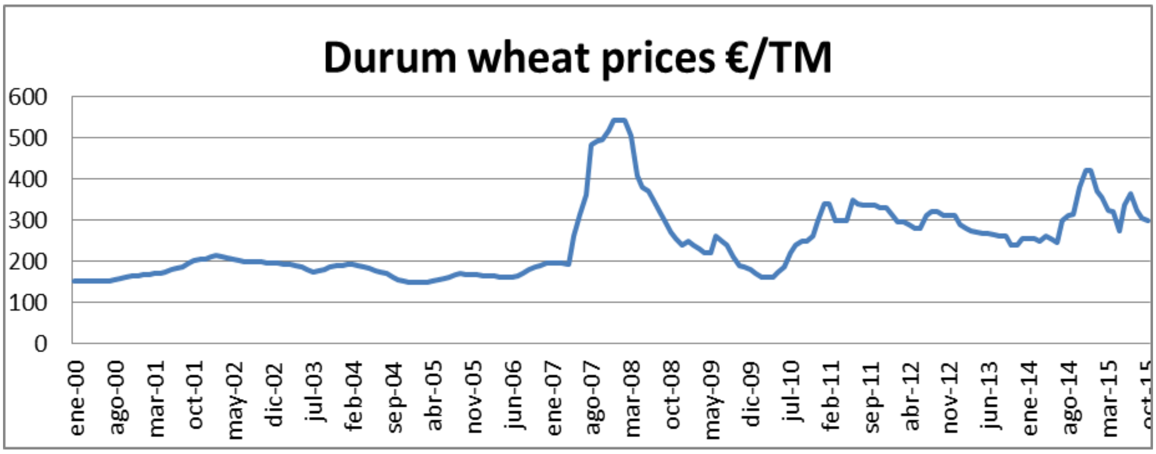
The US economy expanded the healthy momentum of the prior two years: with annual GDP growth of 2.5% (the highest level since the start of the crisis) and an unemployment rate of around 5%, it continues to outpace most developed nations. This performance is primarily attributable to internal demand, as consumers have shrugged off the doubts lingering in prior years, while disposable income continues to rise gradually (although income distribution issues continue to present a source of tension). The Federal Reserve's rate hike marked the start of rate normalization and should not have an adverse effect on the global economy other than on exports affected by the dollar's appreciation and emerging market weakness.

As noted in last year's report, the years of uncertainty and high levels of unemployment have taken their toll, affecting consumer spending patterns. Generally speaking, the consumer has become more cautious: shoppers are buying less, buying cheaper and have traded down to high-quality private label brands or compellingly-priced brand name products; in parallel they have started to look for fresh, gourmet and organic products that offer good value for money. Other trends of note include the growth in neighborhood supermarkets and the advent of new players (online) on the distribution side of the business. All of these trends reinforce the need to offer a pleasant and health-conscious shopping experience while continuing to respect tight budgets.

Lastly, spending habits are also being shaped by demographic trends such as population ageing, smaller family units and new ways of cooking and eating (to order, from vending machines, snacking instead of sitting down, etc.). Inevitably, food companies must also take stock of the unstoppable growth in internet penetration and capabilities; shoppers can readily compare prices and product characteristics and we are seeing a proliferation of robotic-style applications (driverless cars, drones, etc.) with the power to similarly change how we shop for and eat our food. Gradually (traditional consumers continue to dominate), producers will have to adapt and specialize their ranges, while distributors will be forced to offer a different shopping experience.

As was the case across the board in the commodities markets, the grain markets were marked last year by expectations of record inventory levels; prices were stable or if anything lower. The global agricultural commodities index corrected for the fourth year running, having peaked in 2011, and the global ratios tracking the percentage of stocks in relation to annual consumption (stocks-to-use ratios) of the main grains (corn, wheat, rice) remained well above the average for the last 10 years.

Last year, we presented the following chart depicting the trend in durum wheat prices and illustrating the growing volatility of a uniquely tight market.



Source: The Ebro Foods Group

Last year, prices fell from close to €400/MT at the start of the year to €280/MT as the new harvest approached. In June came news of a potentially smaller harvest in Europe due to the drop in spring rainfall, triggering a fresh price rally which did not however last for long; prices ended the year back down at around €265/MT.

Global rice production narrowed by 0.5% on the whole in 2015, affected by adverse weather conditions ("*El Niño*"), as well as apathy in the face of widespread low prices. Meanwhile, global trade corrected by 2% from record levels in 2014, driven by a slight slowdown in demand. Global rice prices continued to trend lower throughout the year, albeit affecting certain aromatic rice grains disproportionately.

In North America, the 2014/15 harvest was very abundant and prices remained low. However, the 2015/16 harvest is smaller and of lower quality, resulting in a higher cost of sales for the Group in the last quarter of the year.

2015 MANAGEMENT REPORT (figures in thousands of euros)

Group financial performance

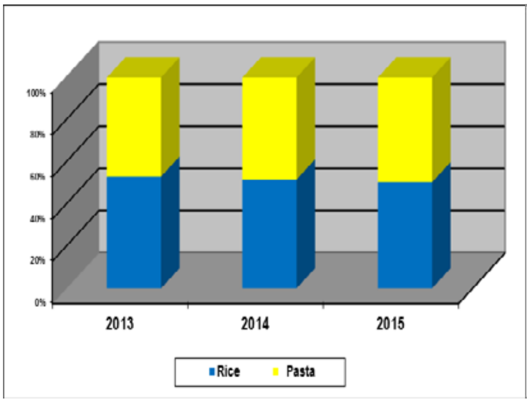
The Group's key financial indicators are presented below:

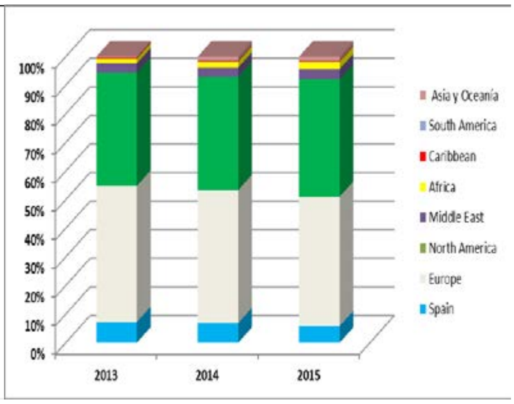
CONSOLIDATED FIGURES (Thousand of €)	2013	2014	*2014/2013*	2015	*2015/2014*	*CAGR 2015/2013*
Revenue	1,956,647	2,120,722	*8.4%*	2,461,915	*16.1%*	***12.2%***
EBITDA	282,392	287,251	*1.7%*	314,724	*9.6%*	***5.6%***
% of Net Revenue	*14.4%*	*13.5%*		*12.8%*		
EBIT	226,356	227,242	*0.4%*	246,314	*8.4%*	***4.3%***
% of Net Revenue	*11.6%*	*10.7%*		*0.0%*		
Profit/(loss) before taxes	210,646	215,749	*2.4%*	229,722	*6.5%*	***4.4%***
% of Net Revenue	*10.8%*	*10.2%*		*9.3%*		
Taxes	(69,157)	(64,407)	*6.9%*	(79,034)	*22.7%*	***6.9%***
% of Net Revenue	*-3.5%*	*-3.0%*		*-3.2%*		
Profit/(loss) for the year from continuing operations	141,489	151,342	*7.0%*	150,688	*-0.4%*	***3.2%***
% of Net Revenue	*7.2%*	*7.1%*		*6.1%*		
Profit/(loss) after tax for the year from discontinued operations	(7,507)	(2,223)	*-70.4%*		*-100.0%*	***-100.0%***
% of Net Revenue	*-0.4%*	*-0.1%*				
Net profit	132,759	146,013	*10.0%*	144,846	*-0.8%*	***4.5%***
% of Net Revenue	*6.8%*	*6.9%*		*5.9%*		
Average working capital	420,517	442,036	*-5.1%*	482,3	*-9.1%*	
Capital employed	1,286,515	1,363,346	*-6.0%*	1,579,447	*-15.9%*	
ROCE **(1)**	17.7	16.7		15.6		
Capex **(2)**	61,308	67,123	*9.5%*	81,466	*21.4%*	
Average headcount	4,665	5,189	*11.2%*	5,759	*11.0%*	
	31.12.13	**31.12.14**	***2013/2012***	**31.12.15**	***2015/2014***	
Equity	1,705,757	1,849,485	*8.4%*	1,966,259	*6.3%*	
Net debt	338,291	405,617	*19.9%*	426,280	*5.1%*	
Average net debt	260,820	333,178	*27.7%*	424,940	*27.5%*	
Leverage **(3)**	0.15	0.18		0.22		
Total assets	2,772,680	3,162,068		3,403,676		

(1) ROCE (Return on Capital Employed) = (Last 12 months Operating profit TAM / (Intangible assets – Property, plant & equipment – working capital).
(2) CAPEX (Capital Expenditures) as cash outflows net of investments.
(3) Ratio of net financial debt average including the cost of own resources (without including minority interests).

Revenue rose by 16.1% year-on-year driven by significant volume growth, exchange-rate effects related to the trend in the dollar of an estimated 181 million euros and acquisition-led growth of 105 million euros.

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





EBITDA rose by 9.6%, shaped by a 8.3 million euro contribution by new businesses and a positive impact of 23 million euros via exchange rate trends. The Group's earnings performance was particularly strong in the rice business, in which it posted record levels of profitability; 2015 was a tough year in the pasta business, however, due to durum wheat price volatility and the need to pass through the increase in supply costs (an estimated increase of 54 million euros) in the first half of the year.

The EBITDA margin narrowed to 12.8%. The drop in average profitability is entirely attributable to the pasta business, where margins narrowed on the back of higher raw material costs, partially offset by volume growth, and ongoing margin dilution by the fresh pasta business in Canada and the US; this business is in the process of being relaunched and continues to resent below-average margins.

Profit for the year from continuing operations narrowed by 0.4% despite the growth in recurring profit due to a combination of effects originating in 2014: a positive impact via a reduction in non-recurring expenses (in 2014, the Group recognized an impairment loss against the goodwill allocated to the ARI cash-generating unit (American Rice) of 11.1 million euros); a negative impact due to the recognition in 2014 of a one-off financial gain on the sale of the Group's interest in Deoleo (14.0 million euros); and, lastly, the changes in income tax expense (note 25 of the consolidated financial statements).

The **ROCE** declined to 15.6%, driven entirely by the decline in the profitability of the US and Canadian pasta business.

The **after-tax loss from discontinued operations** includes the net gain or sale generated by businesses sold and their operating results until the transaction dates. In this instance the amounts shown in prior years correspond to the German pasta business and the loss generated by its sale, as detailed in note 7 of the consolidated financial statements.

Analysis of the Group's balance sheet

The trend in the Group's balance sheet in the last three years evidences the business combinations completed during this period: The Garofalo Group (June 2014), the RiceSelect assets (June 2015) and Roland Monterrat (September 2015). The main movements related to the accounting treatment of these business combinations (additions to property, plant and equipment, intangible assets, goodwill, net current assets and borrowings) and the impact of the trend in the US dollar on subsidiary balance sheets denominated in this currency (both years). Both movements have the effect of increasing assets: an increase due to the first-time consolidation of new assets and an increase of 10% in 2015 and 12% in 2014 in the assets and liabilities denominated in dollars due to their translation at year-end rates (which accounted for roughly half of consolidated assets at year-end).

Other noteworthy changes include the sale of certain non-operating assets classified as investment properties in the US and UK and the sale of the shares in Deoleo in 2014 (which had been classified under finance assets).

Other assets and other liabilities mainly comprise deferred taxes (this heading increased due to business combinations), provisions for pension obligations and provisions for charges (notes 10 and 19 of the consolidated financial statements).

2015 MANAGEMENT REPORT (figures in thousands of euros)

	BALANCE SHEET				
ITEM	**2013**	**2014**	**2014/2013**	**2015**	**2015/2014**
Intangible assets	373,544	433,974	60,430	466,214	32,240
Property, plant and equipment	509,673	612,771	103,098	688,239	75,468
Investment properties	33,139	30,832	-2,307	29,927	-905
PP&E AND INTANGIBLLE ASSETS	**916,356**	**1,077,577**	**161,221**	**1,184,380**	**106,803**
Financial Assets	**108,141**	**67,732**	**-40,409**	**62,309**	**-5,423**
Goodwill	**851,617**	**932,596**	**80,979**	**990,885**	**58,289**
Other current assets and liabilities	**55,455**	**55,871**	**416**	**74,301**	**18,430**
Inventories	384,947	428,107	43,160	438,579	10,472
Trade Receivables, Group Companies	0	0	0	0	0
Trade Receivables	302,994	349,117	46,123	372,823	23,706
Other accounts receivable	58,721	56,556	-2,165	66,369	9,813
Trade payables, Group companies+	0	0	0	0	0
Trade payables	-236,156	-285,970	-49,814	-312,536	-26,566
Other accounts payable	-88,980	-97,234	-8,254	-112,121	-14,887
NET CURRENT ASSETS (WORKING CAPITAL)	**421,526**	**450,576**	**29,05**	**453,114**	**2,538**
NET INVETMENT	**2,353,095**	**2,5845,352**	**231,257**	**2,764,989**	**180,637**
Capital	92,319	92,319	0	92,319	0
Reserves	1,480,679	1,611,430	130,751	1,729,094	117,664
Profit attribuible to owners of the parent	132,759	146,013	13,254	144,846	-1,167
Less: Interim dividend	0	0	0	0	0
Less: Own shares	0	-277	-277	0	-277
CAPITAL AND RESERVES	**1,705,757**	**1,849,485**	**143,728**	**1,966,259**	**116,774**
Non-controlling interests	**22,506**	**24,320**	**1,814**	**26,657**	**2,337**
Other assets and liabilities	**286,541**	**304,930**	**18,389**	**345,793**	**40,863**
Loans from Group Companies and associates	0	0	0	0	0
Less: Loans to Group companies and associates	0	0	0	0	0
Bank Borrowinngs	421,148	513,053	91,905	564,532	51,479
Sepcial financing	11,457	84,843	73,386	73,386	-11,457
Less: Cash on hand at banks	-94,014	-191,477	-97,463	-206,994	-15,517
Less: Cash equivalents	-300	-802	-502	-4,644	-3,842
NET BORROWINGS	**338,291**	**405,617**	**67,326**	**426,280**	**20,663**
TOTAL FUNDS	**2,353,095**	**2,584,352**	**231,257**	**2,764,989**	**180,637**

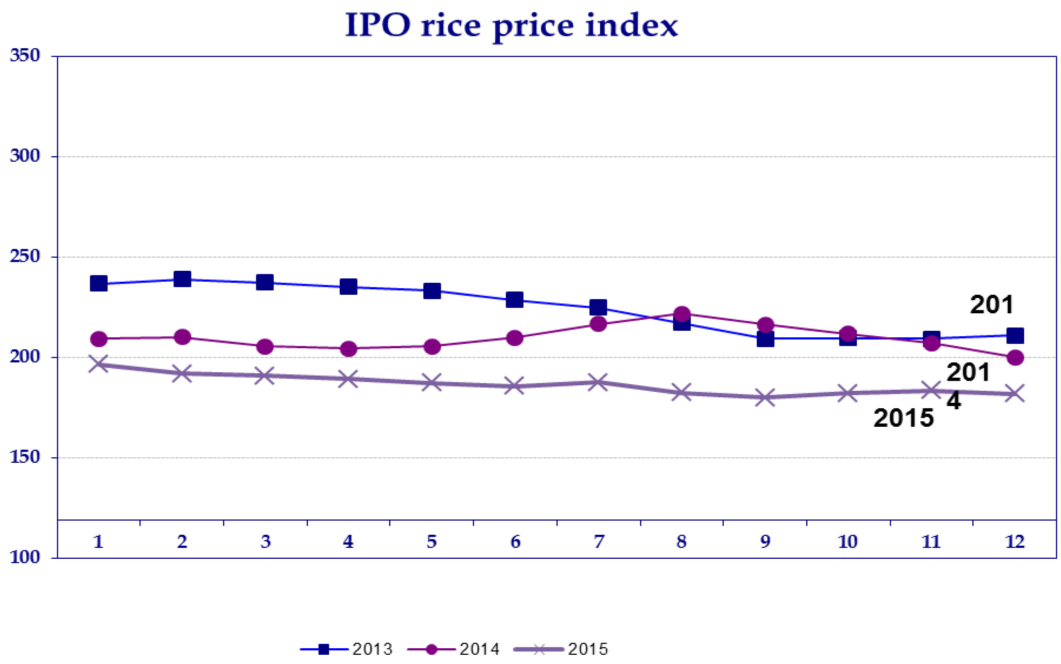
In order to properly understand the Group's working capital requirement and borrowings, note that the factor with the biggest impact on these headings is the volume and measurement of inventories. Inventory volumes are sharply cyclical, moving in tandem with rice and wheat harvests, particularly the rice harvest in the northern hemisphere, which is where the Group buys the most rice from growers and cooperatives and where 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 the year, the start of the next season.

2015 MANAGEMENT REPORT (figures in thousands of euros)

Rice business

RICE BUSINESS (Thousand of €)	2013	2014	*2014/2013*	2015	*2015/2014*	CAGR 2015/2013
Net Revenue	1,090,459	1,139,697	*4.5%*	1,287,726	*13.0%*	***8.7%***
EBITDA	137,627	148,828	*8.1%*	176,959	*18.9%*	***13.4%***
% of Net Revenue	*12.6%*	*13.1%*		*13.7%*		
EBIT	110,156	121,789	*10.6%*	147,509	*21.1%*	***15.7%***
% of Net Revenue	*10.1%*	*10.7%*		*11.5%*		
Average working capital requirement	329,938	339,882	*-3.0%*	360,709	*-6.1%*	
Capital employed	751,292	767,771	*-2.2%*	861,763	*-12.2%*	
ROCE	14.8	15.9		17.1		
Capex	21,186	32,440	*53.1%*	38,941	*20.0%*	

As indicated in the section addressing the business environment, the market was broadly stable in terms of prices; although global production and inventory levels fell slightly, they remained close to long-run highs.



In the US, the 2014/15 harvest was very strong (+10% vs. 2013/14), driving a reduction in the US l/g price gap with respect to other markets and enabling growth in exports. However, this year's long grain harvest is less abundant (and poorer quality) due to reduced acreage planted and a lower yield, creating an element of price uncertainty. There have been no major changes in the short and medium grain varieties: ample stocks-to-use ratios continue to push prices lower.

2015 MANAGEMENT REPORT (figures in thousands of euros)

US harvest prices (source: USDA)
August-July

$/cwt	2015/16 (*)	2014/15	2013/14
Average price	12.5-13.3	13.4	16.3
Long grain	11-11.6	11.9	15.4
Medium grain	16.1-16.9	18.3	19.2

Nor were there significant changes with respect to rice sourced from other markets, with prices stable or lower in long grain rice from Asia and stable in the aromatic varieties. In Thailand and India, major rice exporters, the 2015/16 harvest in progress is also smaller; however, the former is carrying over stocks equivalent to at least three harvests and although these stocks are of questionable quality they serve as a buffer for price-setting purposes. The downward trend in the price of rice grown in Asia, coupled with below-average yields for the past two harvests in Europe, where prices are high, has left European-sourced rice relatively uncompetitive.

Revenue growth in this business was driven by volume growth and the trend in the US dollar, as prices were flat or slightly lower, in line with raw material payments at source. Highlights:

- Consolidation of the ingredients business which is driving a substitution effect: traditional, basic products are increasingly being displaced by value-added products at the premium end of the value chain; this business registered growth of 15%.

- The gradual replacement of the traditional product range by those launched in recent years, particularly the *Sabroz* and *Vasitos* ranges, which registered year-on-year volume growth of 11.6% and 19.6%, respectively, in Spain, enabling the Group to defend its market share and sales by value.

- Riviana performed really well in the US across all products and markets. This brand is the market leader with a share of 22.3% by volume in a market growing at an annual rate of 2.9% (Nielsen XAOC 52-week scantrack).

- ARI - American Rice - also performed well: thanks to a relative improvement in US long grain prices and despite the scarcity of product from Texas, this unit competed with its Abu Bint brand in the Middle East on a more competitive footing.

EBITDA increased by 18.9% year-on-year. Growth in EBITDA outpaced topline growth, implying margin expansion (13.7% in 2015 vs. 13.1% in 2014). In addition to topline growth, an astute purchasing policy enabled modest growth in margins. The advertising spend was increased by a significant 9 million euros, virtually all of which earmarked to the US in order to leverage the Group's excellent market positioning.

Riviana continued to hit new profit records, generating 107 million US dollars of EBITDA, of which only a small sum corresponds to the first-time acquisition of RiceSelect (1.4 million US dollars), a transaction which expands the Group's product catalogue, adding local aromatic, organic, ancient grain and couscous varieties. Profitability also improved at ARI despite persistent issues with Texas-grown rice which are undermining profitability at the factory in Freeport.

In Europe, the market environment remains highly complex. On the distribution side of the business, the retailers continue to consolidate (three retailers are merging in France, Ahold & Delhaize are joining forces in a Belgian-Dutch tie-up and in Germany, Edeka and Rewe continue to consolidate that market) and although there are signs of a potential let-up, promotional activity remains intense and the price gap between private-label and manufacturer brands remains significant.

2015 MANAGEMENT REPORT (figures in thousands of euros)

To tackle this situation, the Ebro Group remained strongly committed to innovation and brand support; this strategy enabled growth in the Netherlands, Portugal and Finland and maintenance of existing positions in Belgium and Germany. Surmounting the challenges, the Group defended EBITDA despite a slight increase in advertising spend (+1.7 million euros).

By market, the EBITDA contribution to the non-US rice business was as follows:

	2013	2014	%	2015	%
Spain	31,474	28,539	38.9%	23,191	32.2%
Europe	33,454	40,873	55.7%	41,307	57.4%
Other	2,100	3,916	5.3%	7,522	10.4%
Total EBITDA	**67,028**	**73,328**	100.0%	72,020	100.0%

It is worth highlighting the growth in 'Other markets', thanks to full recovery of the Puerto Rican business, which, after years of hard work to enable its monetization, was sold in January 2016 (see *Events after the reporting period*), as well as business growth in India. In Spain, the Group defended its position by supplanting the traditional segments invaded by the private label brands with new product ranges (most notably *Sabroz* and *Vasitos*); profitability in this market fell, however, due to a less competitive national harvest relative to rice grown overseas in the last two years.

ROCE in the rice business rose sharply thanks to growth in the profitability of the US business, including the impairment losses recognized against ARI assets in 2014.

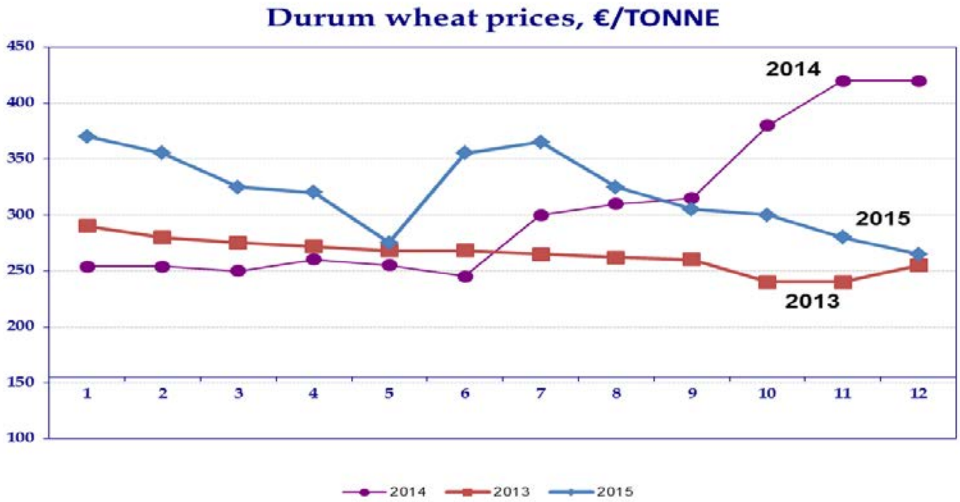
The most important investments undertaken in this business (Capex) related to a new frozen products warehouse (1.6 million euros), a new flour and ingredients line (2.9 million euros), expansion of the Group's facilities in India (1.8 million euros), expansion of the factories in Amsterdam and Antwerp (2 million euros), completion of the work to expand the mill in Algemesí (2.5 million euros) and ongoing work to install a new gluten-free pasta production line in Memphis (7.3 million euros); note that the line being built in Memphis will serve the Pasta Area.

Pasta Business

PASTA BUSINESS (thousands of euros)		2013	2014	2014/13	2015	2015/14	CAGR 2015/2013
Revenue		915,120	1,029,294	*12.5%*	1,224,491	*19.0%*	***15.7%***
EBITDA		152,955	146,317	*-4.3%*	148,647	*1.6%*	***-1.4%***
	EBITDA margin, %	*16.7%*	*14.2%*		*12.1%*		
EBIT		125,725	114.397	*-9.0%*	110,477	*-3.4%*	***-6.3%***
	EBIT margin, %	*13.7%*	*11.1%*		*9.0%*		
Average working capital requirement		76,369	94,810	*-24.1%*	107,261	*-13.1%*	
Capital employed		508,429	578,767	*-13.8%*	691,971	*-19.4%*	
ROCE		25.7	20.5		16.1		
Capex		38,720	34,249	*-11.5%*	39,627	*15.7%*	

During the second half of 2014, durum wheat prices rallied, peaking at over €400/ MT in November. From there, with the 2015/16 harvest in sight and in view of the promising outlook for producer nations, restraint took hold again and prices began to trend lower, ending 2015 at €265/TM, albeit not without first evidencing the volatility which has characterized this market in recent years.

The warm spring in European producer nations prompted fears of insufficient irrigation and a second consecutive year of poor harvests. These fears did not materialize, however; the French harvest was good (+18%) and prices trended lower for the rest of the year, with stocks at reasonable levels.



Revenue rose by 19% year-on-year, mostly due to the pass-through to sales prices of the growth in raw material costs, the impact of dollar appreciation on the US pasta business, consolidation for the full 12 months of Garofalo (72 million euros) and the first-time consolidation of Roland Monterrat (19 million euros; 3 months).

By geography:

- ✓ In France, dry pasta sales registered growth of 4.6% to put the Group's share of the retail sector at 37.1% by volume; note that this sector contracted by 1.5% as a whole. The growth in sales and market share similarly extended to the fresh pasta segment (+2.3% sales; 39.4% market share). Much of this growth is being driven by innovation, notable among which the new dry pasta products with fresh pasta qualities (sales volume: 1,300 tonnes) and growth of 22% in sales of pan-fry gnocchi products, a category in which the range was further increased.

- ✓ Garofalo posted an excellent performance. It is the clear leader in the Italian premium pasta market (a growing segment, in contrast to the overall market, which contracted by 4.5%), registering growth of 4.8% by volume and 7.3% by value. Garofalo products are now being distributed in France, Germany and the Netherlands through Ebro's sales network.

- ✓ US: a shrinking market (-2.0% by volume). The year got off to a bad start as the spike in raw material costs exacerbated tension in a market rife with price competition and promotional offers. Moreover, the healthy pasta segment (which encompasses wholegrain pasta, high-fiber pasta, vegetable pasta, low-calorie pasta and gluten-free pasta) in which Ebro is strongly positioned also suffered. Despite overhauling the healthy pasta product line with the production of new gluten-free products and products based on quinoa and other ancient grains, it wasn't until the end of the year that sales began to rebound, leaving New World Pasta's market share at 19.4%.

- ✓ Canada: the dry pasta market contracted by volume (-4%) but registered growth by value (9%) as a result of the pass-through of higher wheat prices to end prices. As in the US, consumption of healthy pasta trended lower in all categories except for the gluten-free niche. Group subsidiary Catelli Foods continues to lead the market with a share of 34.0% by volume. The fresh pasta segment registered growth by volume and value of 3.2% and 4.3%, respectively, and Olivieri defended its leadership with a market share of 45.9%, despite intensifying competition from manufacturer and retailer brands alike.

EBITDA increased by 1.6% to leave it virtually flat over a three-year period, despite the positive contribution by Garofalo, which contributed 17.4 million euros in 2015 (vs. 7.4 million euros in 2H14). The increase in raw material costs is estimated at 54 million euros, substantially eroding this unit's profitability, particularly in the US where it is harder to pass higher costs through to end prices. The advertising spend was 6.2 million euros higher, due to consolidation of Garofalo's activities for the full year.

France's EBITDA contribution increased slightly to 87.8 million (Roland Monterrat, which was consolidated for the last quarter, contributed 1.7 million euros), despite the pressure exerted via high procurement costs, driven by growth in sales volumes and a compelling sales leadership strategy which mitigated the adverse impact of higher product costs.

The negative note was struck by New World Pasta whose profitability diminished due to the decline in sales volumes in the healthy pasta segment which resulted in a less favorable business mix, compounded by difficulties in passing on higher raw material costs due to intense price competition. The 23% devaluation of the Canadian dollar also hurt this business as roughly 25% of this sub-group's income is generated in this currency (Catelli).

The fresh pasta products and sauces marketed under the Olivieri trademark encountered difficulties as the competition was very aggressive on the back of capacity additions. As a result, Olivieri's business with one of its customers suffered in two Canadian provinces, while promotional pressure intensified across the segment as a whole. Olivieri responded to these challenges by increasing exclusivity and private label production agreements in a bid to lock in sufficient production volumes to ensure profitability in the medium to long term while it focuses its efforts on innovation-led growth, process enhancement and brand overhaul under the scope of its five-year Business Plan.

ROCE in the pasta business declined to 16.1% on the back of reduced profitability in the US and Canadian units.

Capex was concentrated at the factory level. Specifically, the Group added capacity and drove productivity gains in fresh products in Communay (vicinity of Lyon) (8.5 million euros, to put investment to date at 31.5 million euros); bought equipment to increase capacity at the dry pasta factories in Europe (5.5 million euros); rolled out the SAP production module for fresh products (1 million euros); invested to increase productivity at the semolina plants (2.4 million euros); added a new short pasta packaging line in St. Louis (US) (1.4 million euros) and a packaging machine in Winchester (US) (1 million euros); and set up a new fresh pasta line in Hamilton (Canada) (1.9 million euros).

Staff matters and environmental disclosures

Employees

One of the most important sources of value creation at the Ebro Group is its more than 5,700 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 ultimate objective on the labor front is to foster mutually-beneficial labor relations, make its employees feel vested in the organization, encourage their career development, promote equal opportunities and adopt and enforce a zero-tolerance stance on discrimination.

The Group's policy is to decentralize staff management as this enables close contract 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.

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. The subsidiaries with reduced staff levels (predominantly sales companies with less than 10 employees) are governed by the labor laws in effect in the countries in which they work.

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

- Workplace health and safety.
- Training and career development for all employees.
- The Group's pledge to guarantee zero 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).
- The freedom of association.
- Compliance with collective bargaining rights.

Note 8.4 of the consolidated financial statements breaks down the Group's headcount by job category. The following is a snapshot of the Group's workforce using diversity indicators prepared in accordance with the Global Reporting Initiative (the G4 Guidelines):

2015 MANAGEMENT REPORT (figures in thousands of euros)

% MEN 70.55%	% WOMEN 29.45%
Age range 30 - 50 years 53.45%	Age range 30 - 50 years 47.57%
Average years o ld 12.13	Average years old 11.11
% Permanent contracts (including At will) 87.70%	% Permanent contracts (including At will) 85.33%
% Executives and middle managers 13.52%	% Executives and middle managers 15.12%
Rotation of personnel 17.50%	Rotation of personnel 10.38%
New recruitments 70.54%	New recruitments 29.46%
% Training 68.95%	% Training 60.74%
% Disability 2.25%	% Disability 1.49%

The Group's commitment to **employment** is illustrated in the following staff turnover tables which break the figures down by gender and reason for departure:

Type of rotation	Men	Women
new hires	1,025	428
Voluntary departures	147	175
Layoffs	172	67
Reriement	51	21
Permanent disability	9	4
Death	9	5

	Men	Women
Net employment creation	646	160
Rotation of personnel	17.50%	10.38%

In terms of **workplace health and safety**, 89.72% of the Group's total workforce is represented by official health & safety committees. In 2015, the Group provided 22,340 hours of health and safety training at a cost of 677 thousand euros and invested 2.3 million euros in safety equipment.

Lastly, the commitment to employee **training and career development** materialized in the provision of staff training courses at a cost of 1.95 million euros in which approximately 67% of the workforce participated (over 117,700 training hours). The main subjects covered by these training initiatives were quality and environmental management, languages, computer skills, health and safety, production and maintenance, sales and marketing skills development and finance. The average number of training hours provided by job category is broken down in the next table:

2015 MANAGEMENT REPORT (figures in thousands of euros)

Job category	Men	Women
Executives	13,53	28,35
Middle management	24,86	22,18
Clerical staff	27,43	16,63
Assistants	8,4	12,38
Sales staff	9,17	7,43
Other	24,92	22,04
Total	**23,66**	**19,73**

Environmental management

Regarding the Group's sustainability policies, one of the Ebro Foods Group's basic management commitments is to provide its companies with the tools and measures needed to strike the optimal balance between their business activities and environmental protection. For more information, go to note 29 of the consolidated financial statements and the Ebro Food Group's Annual Sustainability Report.

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 to the consolidated financial statements.

Capital expenditure

Acquisition-led growth (asset and business acquisitions)

The biggest investments made by the Group in 2015 were the acquisitions of the RiceSelect assets for 44.7 million US dollars and of Roland Monterrat for 26.5 million euros plus debt. The latter was financed using a mix of own funds and third-party loans.

2015 MANAGEMENT REPORT (figures in thousands of euros)

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. Capex (cash outflows) during the past three years:

Year	Amount (€, 000)
2013	61,308
2014	67,123
2015	81,466

Since 2013, investment in innovation has been concentrated strategically around the Fresh Pasta Plan and physically around the Lyon region, the aim of which is to increase capacity for the production of these products. In the rice business, capital expenditure has been mainly earmarked to the rice-based ingredients project, capacity additions in frozen products and investment in a gluten-free pasta line between 2014 and 2015 (11.5 and 8 million US dollars, respectively) at the Memphis factory in order to cater to growth in this segment.

Financial position

The Group is very satisfied with its leverage position.

	CONSOLIDATED				
NET DEBT (€, 000)	2013	2014	2014/13	2015	2015/14
Equity	1,705,757	1,849,485	*8.4%*	1,966,259	*6.3%*
Net debt	338,291	405,617	*19.9%*	426,280	*5.1%*
Average net debt	260,820	333,178	*27.7%*	424,940	*27.5%*
Leverage	19.8%	21.9%	*10.6%*	21.7%	*-1.1%*
Leverage (average net debt) ***(1)***	15.3%	18.0%	*17.8%*	21.6%	*20.0%*
EBITDA	282,392	287,251	*1.7%*	314,724	*9.6%*
Coverage (x)	1.20	1.41		1.35	

(1) Ratio of average net debt (interest-bearing) over equity (excluding NCI)

Despite the acquisitions of organic and fresh meal businesses in France and the increase in the euro-equivalent balance of borrowings on account of trends in the dollar, the currency in which a portion of the Group's debt is denominated (a declining portion on account of the US businesses' compelling cash flow generation capabilities), the leverage and coverage ratios improved, leaving the Group with significant wherewithal to continue to invest in organic and acquisition-led growth.

2015 MANAGEMENT REPORT (figures in thousands of euros)

Note that 59 million euros of borrowings relate to the recognition for accounting purposes of the call option over the remaining 48% of the Garofalo Group. For accounting purposes, this unexercised option has been recognized as an increase in financial borrowings. The changes in borrowings (without factoring in the debt assumed pursuant to acquisitions, that recognized in the process of accounting for call and put options such as that described above and the impact of exchange rate movements) were shaped by the following sources and uses of cash:

	CONSOLIDATED				
€, 000	2013	2014	2014/13	2015	2015/14
Cash from operating activities	161,118	211,275	*31.1%*	254,140	*20,3%*
Cash used in investing activities	(163,961)	(60,193)	*-63.3%*	(146,847)	*144,0%*
Cash used in share-based transactions	(92,319)	(76,833)	*-16.8%*	(102,833)	*33,8%*
Free cash flow	**(95,162)**	**74,249**		**4,460**	

Free cash flow generation rose once again on the back of a general business improvement which translated into earnings growth. With respect to prior years, it is worth noting that in 2013 the working capital requirement implied by the new factory in India and the need to hedge certain rice-related sourcing risks eroded operating cash flow by around 30 million euros. 2014 was marked by a return to normality in the rice business whereas the increase in durum wheat purchase prices did not significantly erode cash flow from operations via growth in inventories as this inventory cycle is shorter and was offset by other changes in payment and collection terms.

The other major movements correspond to:

- Investing activities. Capital expenditure, as outlined above, the purchase and/or sale of various businesses in recent years (acquisitions of Olivieri and Scotti in 2013; the acquisition of Garofalo and exit from Deoleo in 2014; and the acquisitions of RiceSelect and Roland Monterrat in 2015).

- Share-based transactions. Dividend payment (special dividends in 2013 and 2015) and trading in own shares (sale of treasury shares in 2012).

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 translates into 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, to which end it is articulated around defined risk tolerance thresholds at the corporate level.

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 many countries in which its products are sold.

  The Group's policy is underpinned by compliance with prevailing legislation, to which end it has defined, developed and implemented a quality, environmental and food safety model which has been certified in accordance with the UNE-EN-ISO 9001:2000/8 (Food Safety System Certification), UNE-EN-ISO 14001:2004 (Environmental Management) and ISO 22000:2005 systems.

  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:

  ✓ Physical points: controls to detect alien materials or the presence of metals.

  ✓ Chemical points: detection of chemical substances or the presence of allergens.

  ✓ Biological points: detection of the presence of salmonella and other pathogens.

  Most food handling processes are certified by the IFS (International Featured Standards) food safety standard and the pasta factories in the US have certified compliance with the Global Food Safety Initiative (GFSI).

- 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 agreements from season to season with some of the leading raw material suppliers (of rice and wheat durum); it has also opened branches in some of the main rice exporting nations.

- 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 seeks disintermediation in the markets for local or exotic varieties, shortening the value chain.

d) Lastly, the Ebro Foods Group strategically differentiates its finished products and this helps it pass volatility in raw material costs efficiently through 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 risk factor 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 company 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 potentially 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 conflict 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. 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:

  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 an unwavering customer focus.

  c) Repositioning in potential high-growth categories by means or organic business development or acquisitions which meet the criteria stipulated in the corporate 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 an 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.

  The Group's brands, along with its people, are its most valuable intangible asset, and are accordingly subjected to constant assessment in which different marketing management, 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 countries in which is does business, as well as other market variables, such as exchange rates, interest rates, production costs, etc.

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 criminal risk, the Group has a crime prevention model which is monitored and controlled by the Compliance Department, which reports to the Audit and Control Committee.

- 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 are exposed 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).

The Board of Directors, with the assistance of its advisory and decision-making committees, reviews and establishes the policies for managing each of these risks.

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

In early 2016, the Ebro Group sold its rice businesses in Puerto Rico and the US Virgin Islands, which it operated under several brands (“El Mago”, “Sello Rojo” and “Cinta Azul”), to CC1 Grain, LLC of Puerto Rico. The transaction price was 12 million US dollars. The sale generated a pre-tax gain for the Group of around 9 million euros (using an exchange rate of USD/EUR 1.08). This gain will be recognized in the Group's 2016 consolidated financial statements. This disposal marks the Ebro Group's exit from the rice business under the brands sold in Puerto Rico and the US Virgin Islands and was driven by the fact that the characteristics of these markets (where rice products are seen as more of a commodity product) do not fit with the Ebro Group's strategy of focusing on value-added products.

Elsewhere, after the reporting date, the Ebro Group, through one of its French subsidiaries, acquired 100% of France's CELNAT, a pioneer in the organic food business and one of France's most important organic cereal producers. CELNAT boasts a very strong position in the high-end organic food category and an excellent reputation in the specialist retail circles in which it makes 95% of its sales. In 2015, CELNAT posted revenue of 22 million euros, 20% of which was generated outside France. The transaction price was 25,426 thousand euros and includes 1,426 thousand euros of net debt assumed by the Group. The Group took effective control of this business in January 2016, also the date of its first-time consolidation.

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

6. GROUP OUTLOOK

Despite the episode of volatility gripping the financial markets towards the end of 2015 and start of 2016, most indicators remain positive, with employment and GDP trending higher in most developed economies. Although there are question marks about the outlook for certain emerging markets of growing importance to the global economy (China, Brazil, Russia) and oil prices are surprisingly low, these concerns are not expected to significantly dampen the overall outlook, barring unforeseen situations of political uncertainty.

The outlook for the rice market is for continued stability insofar as the initial fears associated with the "*El Niño*" phenomenon have not materialized. Although the 2015/16 harvest is down somewhat in some exporter markets (Thailand), generally high stock levels are propping up prices. The European varieties remain relatively less competitive, while the US long grain harvest is a little smaller and poorer in quality, driving a slight uptick in prices during the last quarter of 2015 to a level at which they have since stabilized.

No major developments are anticipated on the durum wheat front: stocks remain high and this commodity was trading at under €250/MT in March 2016. For now the outlook for the upcoming harvest is promising: planted acreage in Canada is up slightly; the outlook for the May harvest (the first of the season) in Mexico is good; while some of the main importers of this cereal have pared back their presence in the market due to budget restrictions.

✓ **Rice business**

The outlook for consumption trends in 2016 is for growth in the value-added varieties such as aromatic, organic and ready-to-serve (RTS) products, while traditional products are expected to stagnate or even contract somewhat so that the overall category should remain largely flat in value terms (mix in shift). Uncertainty is greater in terms of the outlook for costs and the price gap with respect to international prices. The spike in rice prices towards the end of 2015 on the back of shrinking Asian production could stem exports by the major cooperatives and exert pressure on the domestic market, particularly industrial sales.

At the Freeport (Texas) factory, the local summer harvest was smaller than in prior years (already affected by drought), which will result in a loss of competitiveness during the first half of the year; however, the reservoirs have since recovered so that the new harvest should be significantly better (2H16). We don't anticipate significant change in the Abu Bint brand business which is conducted from this factory.

The product launches planned for 2016 include an extensive range of organic rice products, new individual cup servings and new RTS products with quinoa, to which end the Group has earmarked a 10% higher advertising spend.

In Europe and the rest of the world, margins related with long grain products are expected to widen on the back of the downward pressure on this variety exerted by the drop in international prices. The RTS range is also expected to be very strong in these markets (+20%), driven by the launch of new ranges called *Salud* and *Mi Chef*. The Group is forging full steam ahead with development of its ingredients line:

it is exploring the scope for expanding its existing facilities and analyzing expansion of its local rice and pasta operations in India.

✓ **Pasta business**

After a challenging year, prevailing durum wheat prices should set solid foundations for a recovery in profitability throughout the year. The outlook is for slight growth in sales underpinned by volume stability (versus contraction in 2015), improvements in the distribution of some of the Group's brands and renewed growth in the healthy pasta segment, the cause of so many problems in the last couple of years.

Growth in the healthy pasta product range will be propped up by consolidation of distribution for a full 12 months of the Healthy Harvest ancient grain products (wholegrain flour reformulated with other nutritional cereals), growth in the gluten-free segment and the new Supergreens range.

This effort will be underpinned by a significant advertising spend (anticipated increase of 9 million US dollars) and the commissioning at the end of 2015 of the gluten-free factory, which will translate into increased capacity and flexibility in this growing product category, as well as lower sales costs.

Oliveri, meanwhile, will have completed in 2016 revision of its filled fresh pasta recipes and will market a new portfolio of five simple pasta and gnocchi recipes and nine sauce recipes which should drive volume growth, in spite of prevailing competitive pressure. The Group has been investing to boost productivity and this effort will intensify in 2016. Much remains to be done to deliver the targets set in this organization's business plan but little by little they are being achieved.

In Europe, the strategic goal is to defend the organic growth attained in prior years, ensure a dominant position in the premium pasta segment spearheaded by the Garofalo brand, build a noteworthy presence in the health and organic products segment and develop positioning in the fresh products market. This effort will be driven largely by the recent acquisitions in France of Roland Monterrat, an expert in fresh products, and of Celnat (in January 2016), a specialist in organic grains and cereals; Celnet sells its products in 75% of France's 2,000 health food stores (Biocoop, La Vie Claire, Satoriz, etc.) and generates 20% of its sales abroad.

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 2015.

In total, R&D expenditure totaled 4.9 million euros in 2015 (3 million euros of which funded internally and 1.9 million euros, externally).

Capitalized development costs amounted to 12 million euros, most of which corresponded to gluten-free products and the fresh pasta segment (9.8 million euros on aggregate), with the rest earmarked mainly to new manufacturing processes and/or product treatments.

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 2015 were:

1. CEREC, located in St. Genis Laval (France), with 10 employees, focuses on the fresh pasta, potato, ready-cooked fresh meals and sauce segments of the pasta business. In 2015, it concentrated on expansion of its gourmet premium sauce range, repositioning of the premium Triglioni fresh pasta range and assistance with expansion of the *Croque Monsieur* concept following the acquisition of Roland Monterrat.

2. CRECERPAL, located in Marseilles, with eight professionals at the raw material analytical laboratory plus an assistant PhD, centers its research effort on developments in the durum wheat category: dry pasta, couscous and new food transformation technology applied to the food industry. In 2015, it continued to work on new uses for durum wheat flour for batters, breads and baked goods; improvements in mill productivity; and the launch and expansion of the range of dry pastas with fresh pasta qualities and gluten-free pasta products.

3. The US center, with five employees who work to develop new products, processes and technologies and adapt them for the US rice and pasta divisions. Last year its efforts focused on rounding out the development and launch of the gluten-free range (linguini, lasagna); initiatives designed to boost efficiency and productivity of oven-ready and fiber-rich pastas by means of new and reformulated processes; validation vis-a-vis the US authorities (the FDA) of several grain varieties and new formulations for the “Ready To Serve” cup range; and the reformulation of certain multi-grain and gluten-free products.

4. Centers associated with the Herba Group in Moncada (Valencia) and the San José de la Rinconada plant, with 26 employees 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 distribution channels. The most important project underway at this center is the development of a line of functional flours and rice-, cereal- and legume-based ingredients, such as low GI and fast-cooking flours.

8. OWN SHARE TRANSACTIONS

In 2015, the Parent had the power to buy back and sell own shares under the scope of the authorization granted at the Annual General Meetings held on June 15, 2011 and June 3, 2015 for a period of five years (as duly notified to the CNMV in keeping with prevailing legislation). In 2015, the Company bought back 27,354 shares, sold 22,171 and delivered 24,646 own shares to employees. The Company did not hold any own shares as treasury stock at December 31, 2015.

9. OTHER RELEVANT DISCLOSURES

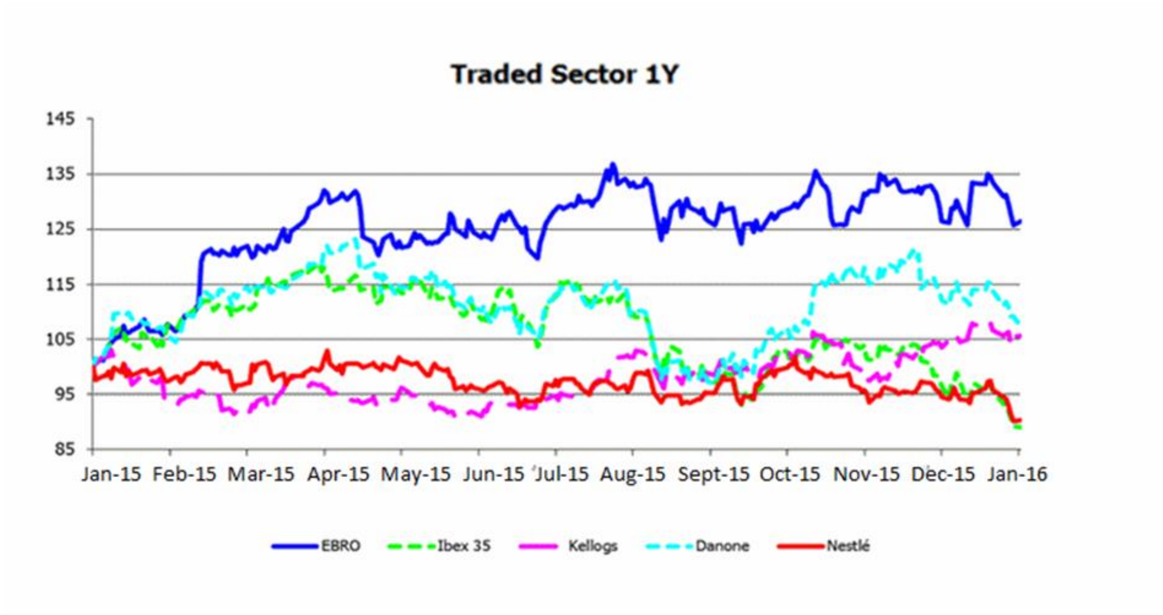
Average payment period

As required under the Spanish Corporate Enterprises Act, it is hereby noted that the average payment period of the companies domiciled in Spain was 25 days in 2015 and 26 days in 2014, within the deadlines stipulated in supplier payment legislation. Calculations made in accordance with the ICAC (Spanish Accounting and Audit Institute) Resolution.

2015 MANAGEMENT REPORT (figures in thousands of euros)

	2015
	Days
Average supplier payment term	25
Paid transactions ratio	25
Outstanding transactions ratio	21
	Amount (thousands of euros)
Total amount of payments made	266,064
Total amount pending payment	43,452

Share price performance



The Company's shares outperformed the benchmark Spanish blue-chip index (the IBEX) and other comparable peers in the food sector in 2015.

Dividend distribution

At the Annual General Meeting of June 3, 2015, the Company's shareholders ratified the motion to pay a cash dividend with a charge against unrestricted reserves of 0.66 euros per share (an ordinary dividend of 0.51 euros per share and a special dividend of 0.15 euros per share), payable in the course of 2015.

The ordinary dividend was paid out in three equal instalments of 0.17 euros per share on April 1, June 29 and October 2, 2015. The special dividend was paid out in a single instalment of 0.15 euros per share on December 22, 2015.

Alternative performance indicators

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

These indicators 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.).

Net debt. Interest-bearing financial liabilities, 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 (Capex). Payments for investments in productive fixed assets.

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.

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

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