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 organizes its management around business segments that combine business activities and their geographic location. Its 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: the Americas, 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 Company'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 2015.

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 24,193 thousand euros, compared to 38,558 thousand in 2014. This decrease is mainly attributable to the revenue generated in 2014 by an extraordinary dividend paid out by one of the Company's subsidiaries.

Net finance expense amounted to 5,536 thousand euros, compared to net finance income of 622 thousand in 2014. The income recognized in 2014 included gains on the sale of investments (classified as available for sale) of 14,003 thousand euros less the 4,800 thousand euro loss triggered by the measurement at fair value of the call option over a 48% interest in the Garofalo group; in 2015, no gains were recognized on the sale of available-for-sale assets, while the remeasurement to fair value of the Garofalo call option implied a gain of 2,000 thousand euros.

Profit after tax accordingly amounted to 23,220 thousand euros, up from 42,731 thousand euros in 2014.

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 2015:

- **Investment in RiceSelect:**

  On June 1, 2015, Ebro Foods, S.A. acquired from RiceTec AG and RiceTec, Inc., through its US subsidiary, Riviana Foods Inc, the rice businesses carried on by the latter two companies in the US under the RiceSelect trademark. This transaction was structured as the acquisition of the RiceSelect trademark and the other assets associated with this business, including a factory in Alvin, Texas. Riviana Foods also took on 42 employees devoted to the rice business.

  RiceSelect boast strong brand recognition in the Premium specialty rice segment (aromatic rice, risottos, organic rice, etc.); it is uniquely positioned in terms of image and products vis-a-vis consumers in a priority market for the Ebro Group: the US rice market. The value-added products sold under the RiceSelect brand, which are very well positioned in the retail sector, perfectly complement the Riviana portfolio and will enable the Group to step up its development in the fastest-growing segments of the US rice business.

  The business was acquired for 40,731 thousand euros. Effective control of this business was assumed on June 1, 2015, which was also the date of its first-time consolidation. This business is estimated to have generated revenue during the annual reporting period of 28.3 million euros and profit during the year of 2.1 million euros.

- **Investment in Monterrat:**

  On September 30, 2015, having obtained the pertinent approval from the French anti-trust authority, Ebro Foods, S.A. acquired, through its subsidiary, Panzani, SAS, 100% of the equity of the French prepared fresh meal maker, Roland Monterrat.

  With a headcount of 390 professionals, Roland Monterrat is an important player in the fresh meal segment in France: it is the leader in the pâté en croûte segment and a top player in the sandwich and croque-monsieur segments. This acquisition will boost the Ebro Group's growth in the fresh product arena and in other complementary business segments.

The transaction was structured as the acquisition of 100% of the target's shares. The acquisition price totaled 41,546 thousand euros (a 26,550 thousand euro net payment plus 14,996 thousand euros of assumed debt). The acquisition was financed using a mix of own funds and borrowings. Effective control of this business was assumed on October 1, 2015, which was also the date of its first-time consolidation. This business is estimated to have generated revenue during the annual reporting period of 54 million euros and profit during the year of 1.2 million euros.

- **Investment in Celnat (acquired at the end of January 2016):**

Ebro Foods, 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, in January 2016.

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. Against this backdrop, the French sub-group has set up a new division, separate from its other business units, called Alimentation Santé; CELNAT and the rest of Ebro's activities in the organic food category will be grouped into this new division in order to boost the its positioning in the health food segment, raise the profile of the organic food category within the Group and position it strategically for tapping emerging food trends.

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.

3. EMPLOYEE AND ENVIRONMENTAL DISCLOSURES

Employees

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 they do 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 Ebro Foods, S.A. staff disclosures are provided in notes 18 and 19 of the accompanying financial statements.

Environment

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. See 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 it receives from them. 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 use of 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.

Credit risk

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.

Cash flow interest rate risk

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.

Its policy is to use a mix of fixed and variable rates. It seeks to achieve a balanced debt structure that minimizes 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.

Foreign currency risk

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.

Liquidity risk

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 other 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' financial 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 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 (and 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

10. OTHER RELEVANT DISCLOSURES

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.

Average payment period

The Company paid its suppliers at 15 days on average in 2015.

	2015
	Days
Average supplier payment term	15
Paid transactions ratio	15
Outstanding transactions ratio	37
	Amount (thousands of euros)
Total amount of payments made	9,242
Total amount pending payment	226

Share price performance