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DISCLAIMER BY THE DIRECTORS OF EBRO FOODS, S.A. REGARDING THE CONTENTS OF THE ANNUAL FINANCIAL REPORT 2017

The members of the Board of Directors of Ebro Foods, S.A. (the "**Company**") declare that, to the best of their knowledge and belief, the Company's Annual Financial Report 2017 containing the separate and consolidated annual accounts and Directors' reports has been prepared in accordance with the applicable accounting principles and gives a true and fair view of the equity, financial position and earnings of the issuer and the companies in its consolidated Group overall, and that the directors' report includes an accurate analysis of the business development and results and the position of the issuer and consolidated companies overall, together with a description of the main risks and uncertainties to which they are exposed.

This declaration is made in respect of the separate and consolidated annual accounts of Ebro Foods, S.A. for 2017, as authorised for issue by the Board of Directors of the Company on the twenty-firth of March two thousand and eighteen.

Madrid, 21 March 2018

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Luis Peña Pazos
Secretary of the Board

________________________	________________________
Antonio Hernández Callejas Chairman	Demetrio Carceller Arce Vice-Chairman
________________________	________________________
Alimentos y Aceites, SA (Concepción Ordiz Fuertes)	Belén Barreiro Pérez-Pardo

María Carceller Arce

Fernando Castelló Clemente

José Ignacio Comenge Sánchez-Real
Lead Independent Director

Mercedes Costa García

Empresas Comerciales
e Industriales Valencianas, SL
(Javier Gómez-Trenor Vergés)

Corporación Financiera Alba, SA
(Javier Fernández Alonso)

Grupo Tradifín, SL
(Blanca Hernández Rodríguez)

Hercalianz Investing Group, SL
(Félix Hernández Callejas)

Audit Report on the Financial Statements
issued by an Independent Auditor

EBRO FOODS, S.A.
Financial Statements and Management Report
for the year ended
December 31, 2017

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.

AUDIT REPORT ON FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

To the shareholders of Ebro Foods, S.A.:

Audit report on the financial statements

Opinion

We have audited the financial statements of Ebro Foods, S.A. (the company), which comprise the balance sheet at December 31, 2017, the income statement, the statement of other comprehensive income, the statement of changes in equity, the cash flow statement, and the notes thereto, for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 3 to the accompanying financial statements) and, specifically, the accounting principles and policies contained therein.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of equity investments in group companies and associates

Description	As shown on the accompanying balance sheet, the Company recognized 1,557,026 thousand euros related to investments in equity instruments of group companies and associates. At year end, management makes significant judgments to determine the existence of indications of impairment, and if necessary, estimates their recoverable amounts. We considered this area to be a key audit matter, since the analyses conducted by management require making complex estimates and judgments regarding the future results of group companies and associates in which the Company holds investments. The description of the balance, movements, and possible impairment loss recorded following management's recoverability analysis, are provided in Notes 4.3 and 8 to the accompanying financial statements.
Our response	In this regard, our audit procedures included: ► Reviewing the procedures established by the Company to evaluate the existence of indications of impairment, as well as those carried out to determine the recoverable amount of investments in group companies and associates. ► Obtaining calculations made by management, in collaboration with an independent expert, to value the cash-generating units (CGUs) pertaining to investments in group companies and associates at year end. ► Reviewing, in collaboration with our valuation experts, the reasonableness of the business assumptions and methodology for determining the impairment tests applied to investments in group companies and associates, when the discounted cash flow method was used. ► Reviewing the documentation supporting alternative analyses conducted by management when the equity of investees adjusted by unrealized capital gains existing at year end is used to substantiate recoverable amount. ► Checking the accuracy and integrity of disclosures included in the notes to the accompanying financial statements.

Other information: Management report

Other information refers exclusively to the 2017 management report, the preparation of which is the responsibility of the parent company's directors and is not an integral part of the consolidated financial statements.

Our opinion on the financial statements does not cover the management report. Our responsibility for the information contained in the management report is defined in prevailing audit regulations, which distinguish two levels of responsibility:

a. A specific level applicable to the non-financial information statement, as well as certain information included in the Corporate Governance Report, as defined in article 35.2 b) of Law 22/2015 on auditing, which solely requires that we verify whether said information has been included in the consolidated management report and if not, disclose this fact.

b. A general level applicable to the remaining information included in the management report, which requires us to evaluate and report on the consistency of said information in the financial statements, based on knowledge of the Company obtained during the audit, excluding information not obtained from evidence. Moreover, we are required to evaluate and report on whether the content and presentation of this part of the management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described in the above paragraph, we have verified that the specific information referred to in paragraph a) above has been provided in the management report, and that the remaining the information contained therein is consistent with that provided in the 2017 consolidated financial statements and their content and presentation are in conformity with applicable regulations.

Responsibilities of Company's directors and the audit committee for the financial statements

The Company's directors are responsible for preparing the accompanying financial statements so that they give a true and fair view of equity, the financial position, and results, accordance with the regulatory framework for financial information and control applicable to the entity in Spain

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the management company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee of the Company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee of the Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

Additional report to the Company's audit committee

The opinion expressed in this audit report is consistent with the additional report we issued to the audit committee on April 03, 2018.

Term of engagement

During the Ordinary General Shareholders' Meeting held on June 1, 2015, we were appointed auditors for a period of three years, commencing the year ended December 31, 2017.

Previously, we were appointed as auditors by the shareholders for three years and we have been carrying out the audit of the financial statements continuously since the year ended December 31, 2014.

ERNST & YOUNG, S.L.
(Registered in Spain's Official Register of Auditors under # S0530)

(Signed on the original in Spanish)

David Ruiz-Roso Moyano
(Registered in the Official Register of Auditors under entry no. 18336)

April 3, 2018

FINANCIAL STATEMENTS AND MANAGEMENT REPORT

FOR THE YEAR ENDED

DECEMBER 31, 2017

EBRO FOODS, S.A.

CONTENTS

EBRO FOODS, S.A.
BALANCE SHEET AT DECEMBER 31, 2017 AND 2016
Thousands of euros

ASSETS	Note	Dec. 31, 2017	Dec. 31, 2016
A) NON-CURRENT ASSETS		**1,606,817**	**1,630,627**
I. Intangible assets	**5**	**6,816**	**7,630**
3. Patents, licenses and trademarks		6,292	7,079
5. Software		524	551
II. Property, plant and equipment	**6**	**978**	**1,351**
1. Land and buildings		281	480
2. Plant and other PP&E		697	871
III. Investment property	**7**	**7,844**	**7,886**
1. Land		7,276	7,276
2. Buildings		568	610
IV. Non-current investments in group companies and associates	**8**	**1,559,030**	**1,581,524**
1. Equity instruments		1,557,026	1,581,231
2. Loans to companies	**8 & 17**	2,004	293
V. Non-current financial assets	**9**	**22,033**	**22,440**
1. Equity instruments		0	0
2. Loans to third parties		21,885	22,293
5. Other financial assets		148	147
VI. Deferred tax assets	**15**	**10,116**	**9,796**
B) CURRENT ASSETS		**30,706**	**20,052**
III. Trade and other receivables	**9 & 10**	**25,891**	**12,410**
1. Trade receivables		9	20
2. Trade receivables, group companies and associates	**17**	5,618	5,145
3. Sundry receivables		8	8
4. Receivable from employees		31	26
5. Current tax assets	**15**	19,278	6,403
6. Other amounts receivable from public authorities	**15**	947	808
V. Current financial assets	**9**	**1,211**	**2,435**
2. Loans to third parties		1,211	1,685
5. Other financial assets		0	750
VII. Cash and cash equivalents	**11**	**3,604**	**5,207**
1. Cash		3,603	5,207
2. Other cash equivalents		1	0
TOTAL ASSETS		**1,637,523**	**1,650,679**

The accompanying notes 1 to 20 are an integral part of the balance sheet at December 31, 2017.

EBRO FOODS, S.A. BALANCE SHEET AT DECEMBER 31, 2017 AND 2016 Thousands of euros			
EQUITY AND LIABILITIES	**Note**	**Dec. 31, 2107**	**Dec. 31, 2016**
A) EQUITY		**730,880**	**760,487**
A.1) CAPITAL AND RESERVES	**12**	**730,880**	**760,487**
I. Capital		**92,319**	**92,319**
1. Issued capital		92,319	92,319
II. Share premium		**5**	**5**
III. Reserves		**580,455**	**654,781**
1. Legal and statutory reserves		18,464	18,464
2. Other reserves		561,991	636,317
IV. Own shares and own equity holdings		**0**	**0**
V. Retained earnings (prior-year losses)		**0**	**0**
VI. Other owner contributions		**0**	**0**
VII. Profit for the year		**58,101**	**13,382**
VIII. Interim dividend		**0**	**0**
IX. Other equity instruments		**0**	**0**
A.2) VALUATION ADJUSTMENTS		**0**	**0**
B) NON-CURRENT LIABILITIES		**821,621**	**852,909**
I. Non-current provisions	**14**	**17,906**	**13,665**
1. Non-current employee benefit obligations		2,458	2,145
4. Other provisions		15,448	11,520
II. Non-current borrowings	**9**	**298,934**	**389,619**
2. Bank borrowings	**13**	291,963	387,097
4. Derivatives	**9**	2,459	1,510
5. Other financial liabilities		4,512	1,012
III. Non-current borrowings from group companies and associates	**17**	**459,477**	**407,942**
IV. Deferred tax liabilities	**15**	**45,304**	**41,683**
C) CURRENT LIABILITIES		**85,022**	**37,283**
III. Current borrowings:	**9**	**50,287**	**30,614**
2. Bank borrowings	**13**	50,074	30,556
5. Other financial liabilities		213	58
IV. Current borrowings from group companies and associates	**17**	**29,606**	**299**
V. Trade and other accounts payable:	**9**	**5,129**	**6,370**
1. Trade payables		481	1,322
2. Trade payables, group companies and associates		112	828
4. Employee benefits payable		4,029	3,755
6. Other payables to public authorities	**15**	507	465
TOTAL EQUITY AND LIABILITIES		**1,637,523**	**1,650,679**

The accompanying notes 1 to 20 are an integral part of the balance sheet at December 31, 2017.

EBRO FOODS, S.A. INCOME STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 Thousands of euros	Note	2017	2016
CONTINUING OPERATIONS			
Revenue		**78,345**	**19,545**
Revenue from services rendered		5,188	5,111
Dividends from group companies and associates	**8 & 17**	73,146	14,432
Finance income from group companies	**17**	11	2
Other operating income		**4,220**	**3,855**
Ancillary and other operating income		4,220	3,855
Employee benefits expense		**(11,898)**	**(11,146)**
Wages, salaries and similar		(9,774)	(9,305)
Employee benefits		(1,156)	(1,171)
Termination benefits		0	(181)
Provisions		(968)	(489)
Other operating expenses		**(7,484)**	**(9,899)**
External services		(7,135)	(6,856)
Taxes other than income tax		(349)	(543)
Other operating expenses	**14**	0	(2,500)
Depreciation and amortization	**5, 6 & 7**	**(1,290)**	**(1,238)**
Impairment of and gains/(losses) on disposal of fixed assets		**1,398**	**13,287**
Gains/(losses) on disposals	**5, 6 & 7**	1,398	13,287
OPERATING PROFIT		**63,291**	**14,404**
Finance income		**819**	**865**
From marketable securities and other financial instruments:			
Third parties		819	865
Finance costs		**(10,219)**	**(8,435)**
Borrowings from group companies and associates	**17**	(4,866)	(4,152)
Third-party borrowings		(5,353)	(4,283)
Change in fair value of financial instruments		**(950)**	**1,290**
Held-for-trading portfolio and other securities	**9**	(950)	1,290
Net exchange gains/(losses)	**9**	**3,507**	**(304)**
Impairment of and gains/(losses) on disposal of financial assets		**2,387**	**7,258**
Impairment and write-downs	**8**	2,387	6,749
Gains/(losses) on disposals	**9**	0	509
NET FINANCE INCOME/(COST)		**(4,456)**	**674**
PROFIT BEFORE TAX		**58,835**	**15,078**
Income tax	**15**	**(734)**	**(1,696)**
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**58,101**	**13,382**
DISCONTINUED OPERATIONS			
Profit/(loss) for the year from discontinued operations, net of income tax		**0**	**0**
PROFIT FOR THE YEAR		**58,101**	**13,382**

The accompanying notes 1 to 20 are an integral part of the income statement for the year ended December 31, 2017.

EBRO FOODS, S.A. STATEMENT OF RECOGNIZED INCOME AND EXPENSE FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 Thousands of euros	Note	2017	2016
A) Profit as per income statement		**58,101**	**13,382**
Income and expense recognized directly in equity			
I. Measurement of financial instruments			
1. Available-for-sale financial assets	**9**	0	169
2. Other income/expense			
II. Cash flow hedges			
III. Grants, donations and bequests received			
IV. Actuarial gains and losses and other adjustments			
V. Tax effect		0	(42)
B) Total income and expense recognized directly in equity		**0**	**127**
Amounts reclassified to profit or loss			
VI. Measurement of financial instruments			
1. Available-for-sale financial assets	**9**	0	(509)
2. Other income/expense			
VII. Cash flow hedges			
VIII. Grants, donations and bequests received			
IX. Tax effect		0	127
C) Total amounts reclassified to profit or loss		**0**	**(382)**
TOTAL RECOGNIZED INCOME AND EXPENSE (A + B + C)		**58,101**	**13,127**

The accompanying notes 1 to 20 are an integral part of the statement of recognized income and expense for the year ended December 31, 2017.

EBRO FOODS, S.A.
STATEMENT OF TOTAL CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBRE 31, 2017 AND 2016

Thousands of euros	Capital	Share premium	Reserves	Own shares	Retained earnings	Profit for the year	Interim dividend	Other equity instruments	Valuation adjustments reserve	Grants, donations and bequests received	TOTAL
OPENING BALANCE AT DEC. 31, 2015	**92,319**	**5**	**714,647**	**0**	**0**	**23,220**	**0**	**0**	**255**	**0**	**830,446**
I. Restatements for changes in accounting criteria											0
II. Restatements for prior-year errors											0
RESTATED BALANCE AT JAN. 1, 2016	**92,319**	**5**	**714,647**	**0**	**0**	**23,220**	**0**	**0**	**255**	**0**	**830,446**
I. Total recognized income and expense						**13,382**			**(255)**		**13,127**
II. Transactions with shareholders and owners:	**0**	**0**	**(59,866)**	**0**	**0**	**(23,220)**	**0**	**0**	**0**	**0**	**(83,086)**
- Dividend distribution			(83,086)								(83,086)
- Transactions with own shares (net)											0
- Other transactions with shareholders			23,220			(23,220)					0
III. Other changes in equity											**0**
CLOSING BALANCE AT DEC. 31, 2016	**92,319**	**5**	**654,781**	**0**	**0**	**13,382**	**0**	**0**	**0**	**0**	**760,487**
I. Restatements for changes in accounting criteria											0
II. Restatements for prior-year errors											0
RESTATED BALANCE AT JAN. 1, 2017	**92,319**	**5**	**654,781**	**0**	**0**	**13,382**	**0**	**0**	**0**	**0**	**760,487**
I. Total recognized income and expense						**58,101**			**0**		**58,101**
II. Transactions with shareholders and owners:	**0**	**0**	**(74,326)**	**0**	**0**	**(13,382)**	**0**	**0**	**0**	**0**	**(87,708)**
- Dividend distribution			(87,703)								(87,703)
- Transactions with own shares (net)			(5)								(5)
- Other transactions with shareholders			13,382			(13,382)					0
III. Other changes in equity											**0**
CLOSING BALANCE AT DEC. 31, 2017	**92,319**	**5**	**580,455**	**0**	**0**	**58,101**	**0**	**0**	**0**	**0**	**730,880**

The accompanying notes 1 to 20 are an integral part of the statement of total changes in equity for the year ended December 31, 2017.

EBRO FOODS, S.A. STATEMENT OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 Thousands of euros	Note	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		**48,488**	**1,225**
1. Profit/(loss) for the year before tax		**58,835**	**15,078**
2. Adjustments for non-cash income and expenses:		**(67,841)**	**(26,783)**
a) Depreciation and amortization (+)	5, 6 & 7	1,290	1,238
b) Impairment charges (+/-)	8	(2,387)	(6,749)
c) Changes in provisions (+/-)	14	968	374
e) Gains (losses) on derecognition and disposal of fixed assets (+/-)	6 & 7	(1,398)	(13,287)
f) Gains (losses) on derecognition and disposal of financial instruments (+/-)	8	0	(509)
g) Finance income (-)		(830)	(867)
h) Finance costs (+)		11,169	7,145
i) Exchange differences (+/-)	9.1	(3,507)	304
k) Other income and expenses (+/-)		(73,146)	(14,432)
3. Changes in working capital		**(2,318)**	**(2,136)**
b) Trade and other accounts receivable (+/-)		(1,077)	494
c) Other current assets (+/-)		0	(999)
d) Trade and other payables (+/-)		(1,241)	(1,631)
4. Other cash flows from operating activities		**59,812**	**15,066**
a) Interest paid (-)		(6,984)	(7,455)
b) Dividends received (+)		73,146	14,682
d) Income tax receipts (payments) (+/-)		(6,350)	7,839
NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES		**(12,244)**	**4,199**
6. Payments for investments (-)		**(16,500)**	**(25,096)**
a) Group companies and associates		(16,500)	(18,393)
b) Intangible assets		0	(56)
c) Property, plant and equipment	6	0	(428)
e) Other financial assets		0	(6,219)
7. Proceeds from disposals (+)		**4,256**	**29,295**
a) Group companies and associates		0	995
b) Intangible assets		1,700	2,243
d) Investment properties		1,806	20,588
e) Other financial assets		750	5,469
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(37,697)**	**(1,506)**
9. Proceeds from and payments for equity instruments		**(537)**	**(505)**
c) Acquisition of own equity instruments (-)		(1,035)	(544)
d) Disposal of own equity instruments (+)		498	39
10. Proceeds from and repayment of financial liabilities		**50,543**	**82,085**
a) Issuance of:		**155,150**	**209,852**
2. Bank borrowings (+)		37,721	161,986
3. Borrowings from group companies and associates (+)		117,429	47,866
b) Repayment and amortization of:		**(104,607)**	**(127,767)**
2. Bank borrowings (-)		(86,073)	(95,754)
3. Borrowings from group companies and associates (-)		(18,534)	(31,013)
4. Other borrowings (-)		0	(1,000)
11. Dividends and payments on other equity instruments		**(87,703)**	**(83,086)**
a) Dividends (-)		(87,703)	(83,086)
b) Payments on other equity instruments (-)		**0**	**0**
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		**(150)**	**(113)**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,603)**	**3,805**
Cash and cash equivalents, opening balance		**5,207**	**1,402**
Cash and cash equivalents, closing balance		**3,604**	**5,207**

The accompanying notes 1 to 20 are an integral part of the statement of cash flows for the year ended December 31, 2017.

1. CORPORATE INFORMATION

Ebro Foods, S.A., a Spanish public limited company (*sociedad anónima*), hereinafter, the Company, was created by the merger by absorption of Puleva S.A. into Azucarera Ebro Agrícolas S.A. on January 1, 2001. On the occasion of that transaction, Azucarera Ebro Agrícolas, S.A.'s name was changed to Ebro Puleva, S.A. Later, at the Annual General Meeting of June 1, 2010, its registered name was changed again to its current name: Ebro Foods, S.A.

The Company's current registered office is in Madrid (28046), at Paseo de la Castellana, 20. The Company's corporate object is to perform the following business activities in Spanish and foreign markets:

a) The production, preparation, sale, research, export and import of all manner of food and dietary products for both human and animal consumption, in addition to energy food products, including their by-products and waste, and, in particular, rice, pasta, sauces and all manner of nutritional products.

b) The production, exploitation and sale of all manner of food, soft and alcoholic beverages.

c) The use of by-products and the provision of services or products of all types relating to the aforementioned activities, including refrigeration cabinets, ice, industrial gas, steam, cold and energy.

d) The acquisition, lease, creation, installation, development and management of industrial, farming and livestock facilities in the food, nutrition and beverage (including alcohol) industries.

e) The performance of projects and installation work and the provision of all manner of technical assistance to other companies in the aforementioned industries; the creation, development, protection and use of patents, trademarks and other assets susceptible to intellectual property protection.

f) Staff training, computer programming or management, investment and monetization of resources, advertising and image, transport, distribution and sale and marketing activities that are ancillary or complementary to the aforementioned activities.

The activities comprising the Group's corporate object may be carried on through the subscription or acquisition of shares or other equity interests in companies with an identical or similar corporate purpose.

Ebro Foods, S.A. is the parent of a consolidated group comprising it and its subsidiaries and associates with which it has separately presented consolidated financial statements for 2017, which were authorized for issue by the Board of Directors of Ebro Foods, S.A. on March 21, 2018. The 2016 consolidated financial statements were approved at the Annual General Meeting held by Ebro Foods, S.A. on June 1, 2017 and duly filed with Madrid's Companies Register.

This fact should be taken into consideration in assessing the working capital position typical of year-end in the separate annual financial statements of Ebro Foods, S.A., which, as the Group's parent company, has the option of financing itself via dividends and additional bank financing, among other alternatives.

The key figures contained in the 2017 and 2016 consolidated financial statements, which were drawn up in accordance with Final Provision Eleven of Spanish Law 62/2003, of December 30, 2003, under the International Financial Reporting Standards approved by the European Commission, are replicated below:

Thousands of euros	At year-end 2016		At year-end 2017	
Total assets		**3,645,803**		**3,660,700**
Equity:		**2,106,401**		**2,121,925**
- Attributable to equity holders of the parent	2,079,326		2,074,637	
- Attributable to non-controlling interests	27,075		47,288	
Revenue		**2,459,246**		**2,506,969**
Profit for the year:		**175,819**		**229,974**
- Attributable to equity holders of the parent	169,724		220,600	
- Attributable to non-controlling interests	6,095		9,374	

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

The figures provided in these financial statements are presented in thousands of euros, unless otherwise indicated.

Financial reporting framework applicable to the Company

The accompanying financial statements were authorized for issue by the directors in keeping with the financial reporting regulatory framework applicable to Company, namely:

a) Spain’s Code of Commerce and other company law

b) Spain's General Accounting Plan, enacted by Royal Decree 1514/2007, as amended in 2016 by Royal Decree 602/2016, and other prevailing company law

c) The binding rules issued by the ICAC (acronym in Spanish for the Audit and Accounting Institute) enacting the General Accounting Plan and its complementary rules and regulations

d) Other applicable Spanish accounting regulations

Fair presentation

The accompanying financial statements were prepared from the Company’s accounting records in keeping with the prevailing applicable financial reporting framework and, specifically, the accounting principles and criteria contained therein, to present fairly the Company’s equity and financial position at year-end and financial performance and cash flows during the year.

These financial statements have been authorized for issue by the Company's directors and will be submitted for shareholder approval at the Annual General Meeting at which they are expected to be ratified without modification. The 2016 financial statements were approved at the Annual General Meeting held on June 1, 2017.

Comparative information

The information provided in these financial statements in respect of 2016 is presented to enable a reader comparison with the equivalent 2017 figures.

Critical issues regarding the measurement and estimation of uncertainty

The directors have prepared the Company's financial statements using estimates based on historical experience and other factors considered reasonable under the circumstances. The carrying amounts of assets and liabilities that are not readily apparent from other sources were established on the basis of these estimates. The Company reviews these estimates continually. However, given the uncertainty inherent in these estimates, there is a considerable risk that the carrying amounts of affected assets and liabilities may have to be significantly adjusted in the future should material changes occur in the assumptions, events or circumstances on which they were based.

In addition to other relevant information regarding the estimation of uncertainty at the reporting date, the key assumptions regarding the future that imply a considerable risk that the carrying amounts of assets and liabilities may require material adjustment in the next financial year, are as follows:

Taxation

In accordance with prevailing tax legislation, tax returns cannot be considered final until they have been inspected by the tax authorities or until the four-year inspection period from the date of presentation of the respective returns has elapsed. The directors believe that no significant additional tax liabilities would arise for the Company in the event of a tax inspection (note 15).

Impairment of non-financial assets

Until December 31, 2015, the Company used to test its non-financial assets for signs of impairment annually. Specifically, indefinite-lived intangible were tested for impairment at least annually.

Since January 1, 2016, as provided for in Spanish Royal Decree 602/2016, which introduces a change in the criteria applicable to amortization of intangible assets, these assets are now subject to amortization on a straight-line basis over a 10-year period. Irrespective of the new amortization regime, these intangible assets are tested for signs of impairment annually, along with the rest of the Company's non-financial assets.

Deferred tax assets

Deferred tax assets are recognized on the basis of the Company's estimates regarding the probability of occurrence and level of future taxable profits (note 15).

Provisions

The Company recognizes provisions for liabilities in keeping with the accounting policy outlined in note 4.n below. The Company has made judgments and estimates as to the likelihood that the provisioned liabilities will materialize, as well as the corresponding amounts, and has recognized provisions when the liability is deemed probable, estimating the cost that would be generated by the obligating event (note 14).

Although these estimates were made on the basis of the best information available at year-end, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively.

Transactions concluded in 2017 that affect the basis of presentation

The Company did not undertake any transactions in 2017 that affect the presentation or comparability of these financial statements. The transactions undertaken in prior years requiring specific disclosures in subsequent reporting periods are outlined below:

a) Merger by absorption of Productos La Fallera, S.A.:

See the 2003 financial statements.

b) Dissolution of Azucarera Ebro Agrícolas Gestión de Patrimonio, S.L. (GDP) transferring all of its assets and liabilities to Ebro Foods, S.A.:

See the 2003 financial statements.

c) Non-monetary contribution to Ebro Financial Corporate Services S.L.:

See the 2012 financial statements.

d) Liquidation of Azucarera Energías, S.A. in December 2015:

See the 2015 financial statements.

3. APPROPRIATION OF PROFIT

	Amount (thousands of euros)
Basis of appropriation	
Unrestricted reserves	558,823
Profit for the year (as per income statement)	58,101
	616,924

The distribution of profit proposed by the directors of Ebro Foods, S.A. at a meeting of the Board of Directors held on December 21, 2017 for submission for ratification at the upcoming Annual General Meeting is as follows:

The profit generated by the Ebro Foods Group in 2017 makes it possible, as in prior years, to propose the payment of a cash dividend, with a charge against unrestricted reserves and profit for the year, of 0.57 euros per share, payable in the course of 2018, in a total amount of 87,703 thousand euros.

The dividend will be paid out in three equal instalments of 0.19 euros per share on April 3, June 29 and October 1, 2018.

Limitations on the distribution of dividends

The Company is obliged to transfer 10% of profit for the year to a legal reserve until this reserve reaches an amount equal to at least 20% of share capital. This reserve cannot be distributed to shareholders (note 12.c) unless it exceeds and only in the amount by which it exceeds this 20% threshold.

Once the legal and bylaw-stipulated requirements have been met, dividends may be distributed against profit for the year or freely distributable reserves so long as the value of equity is not lower than or would not fall below share capital as a result of the distribution. For these purposes, any profit recognized directly in equity may not be distributed either directly or indirectly. If prior-year losses were to reduce the Company's equity to below the amount of share capital, profit would have to be allocated to offset these losses.

4. RECOGNITION AND MEASUREMENT STANDARDS

a) Intangible assets

Intangible assets are initially measured at either acquisition or production cost. The cost of intangible assets acquired in a business combination is their acquisition-date fair value.

Following initial measurement, they are stated at cost less accumulated amortization and any impairment losses.

Intangible assets are assets with a finite useful life and are therefore amortized on a straight-line basis as a function of their estimated useful life and residual value. Amortization methods and periods are reviewed at the end of each reporting period, and adjusted prospectively where applicable.

(Thousands of euros)

Intangible assets are tested for impairment at least at each financial year-end and any impairment is recognized. Patents, licenses and trademarks are amortized on a straight-line basis over their useful lives, generally 10 years, while computer software is amortized over an estimated useful life of four years.

b) <u>Property, plant and equipment</u>

Items of property, plant and equipment are initially recognized at either acquisition or production cost. The cost of property, plant and equipment acquired in a business combination is the fair value of the assets at the acquisition date. Following initial recognition, they are carried at cost less accumulated depreciation and any impairment losses.

The cost of assets acquired or produced since January 1, 2008 that require more than one year to ready for use (qualifying assets) includes borrowing costs accrued prior to putting the assets to use whenever these expenses meet the capitalization requirements.

Property, plant, and equipment likewise includes the initial estimate of the present value of asset dismantling or retirement obligations and other associated costs, such as the cost of restoring assets, when these obligations trigger the recognition of provisions.

Expenses for repairs that do not prolong the useful life of the assets, as well as maintenance expenses, are taken to the statement of profit or loss in the year incurred. Expenses incurred for expansion or improvements that increase the productivity or prolong the useful life of these assets are capitalized as an increase in the carrying amount of the item.

Depreciation charges are recognized in the income statement. Assets are depreciated from when they are ready for their intended use.

Items of property, plant and equipment are depreciated on a straight-line basis over their respective estimated useful lives, taking into consideration actual depreciation sustained through operation, usage and wear and tear, as follows:

Depreciation rates	
Buildings	2.0% to 3.0%
Machinery, plant and tools	2.0% to 8.0%
Furniture and other fixtures	10.0% to 25.0%
Vehicles	5.5% to 16.0%

The Company reviews its material assets' residual values, useful lives and depreciation methods at each year-end and adjusts them prospectively where applicable.

c) <u>Investment properties</u>

Investment properties comprise land and buildings that are leased to third parties or not being used for operating purposes. Buildings so classified are depreciated on a straight-line basis over an estimated useful life of 50 years.

The measurement criteria applicable to property, plant and equipment apply in full to investment properties. Transfers are made to (or from) investment property only when there is a change in use.

d) <u>Exchanges of assets</u>

Assets acquired in exchange for other assets are analyzed individually to determine whether the related transaction has commercial substance.

When the transaction has commercial substance, the asset received is measured at the fair value of the asset given up, plus any monetary compensation where applicable, except for transactions for which the evidence supporting the fair value of the asset received is better, in which case this measurement is taken. Any valuation differences arising upon the derecognition of the asset given up are recognized in the income statement.

When the exchange does not have commercial substance or when the fair value of the assets exchanged cannot be reliably measured, the asset received is measured at the carrying amount of the asset given up, plus monetary consideration given, if any.

e) <u>Impairment of non-current and non-financial assets</u>

The Company assesses whether there is any indication that a non-current, financial asset or cash-generating unit may be impaired at least at each reporting date. If there is any indication of impairment, the asset's recoverable amount is estimated.

The recoverable amount is the higher of fair value less costs to sell and value in use. When the carrying amount exceeds the recoverable amount, the asset is considered impaired.

Value in use is the present value of expected future cash flows, discounted using risk-free market rates, adjusted for the risks specific to the asset. For those assets that do not generate cash flows that are largely independent of those of other assets or groups of assets, the recoverable amount is determined for the cash-generating units to which the assets belong.

Impairment losses and any subsequent reversals are recognized in the statement of profit or loss. Impairment losses are reversed only if the circumstances giving rise to them have ceased to exist. Goodwill impairment losses are not reversed. Any such reversal is limited to the carrying amount that would have been determined had no impairment loss been recognized for the asset.

f) Leases

Leases are classified as finance leases when, based on the economic terms of the arrangement, substantially all the risks and rewards incidental to ownership of the leased item are transferred to the lessee. All other lease arrangements are classified as operating leases.

Company as lessee

Assets acquired under finance leases are classified as appropriate within property, plant and equipment and are measured at the lower of the fair value of the leased property and the present value of the minimum lease payments; a corresponding financial liability is recognized in the same amount. Lease payments are apportioned between finance charges and reduction of the lease liability. Leased assets are depreciated, impaired, and derecognized using the same criteria as apply to owned assets of a similar nature.

Operating lease payments are expensed in the income statement as they accrue.

Company as lessor

Rental income from operating leases is recognized in the income statement as accrued. Direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and are expensed over the term of the lease using the same criteria as are used to recognize lease income.

g) Financial assets

1) Classification and measurement

1.1) Loans and receivables

The Company recognizes trade and non-trade receivables in this category, which includes financial assets with fixed or determinable payments not quoted on active markets that it expects to recover in full, other than because of credit impairment.

Upon initial recognition in the balance sheet, these investments are recognized at fair value, which, unless there is evidence to the contrary, is the transaction price, deemed equivalent to the fair value of the consideration paid plus directly attributable transaction costs. Subsequent to initial recognition, these financial assets are measured at amortized cost.

Nevertheless, trade receivables that mature within less than one year from the reporting date with no contractual interest rate, as well as advances, loans to employees, deposits, dividends receivable and called-up payments on equity instruments, the amount of which is expected to be realized in the short term, are carried at their nominal value both upon initial and subsequent measurement when the effect of not discounting the cash flows is not material.

1.2) Held-to-maturity investments

Held-to-maturity investments include debt instruments with fixed maturities and fixed or determinable payments traded on active markets which the Company has the positive intention and the ability to hold to maturity.

Upon initial recognition in the balance sheet, these investments are recognized at fair value, which, unless there is evidence to the contrary, is the transaction price, deemed equivalent to the fair value of the consideration paid plus directly attributable transaction costs.

Subsequent to initial recognition, these financial assets are measured at amortized cost.

1.3) Equity investments in group companies, jointly-controlled entities and associates

This category includes investments in entities over which the Company exercises control, joint control under bylaw stipulations or by contractual arrangement, or has significant influence. These investments are initially measured on the balance sheet at fair value, which is equivalent, absent indications to the contrary, to the transaction price, which is the fair value of the consideration given plus directly attributable costs, except in relation to non-monetary contributions to a group company in exchange for a business, in which instance the investment is measured at the carrying amount of the assets and liabilities comprising the business. The initially-recognized amount of an equity investment includes preferential subscription and similar rights acquired.

Subsequent to initial recognition, these financial assets are measured at cost, less any accumulated impairment losses.

When an investment is newly classified as an investment in a group company, jointly controlled entity or associate, cost is deemed to be the investment's recognized carrying amount; previously-recognized unrealized valuation adjustments are left in equity until the investment is either sold or impaired.

Where preferential subscription or similar rights are sold or separated for the purpose of exercising them, the cost of these rights decreases the carrying amount of the respective assets.

In the case of equity investments in group companies that give control over the subsidiary, the fees paid to legal advisors and other professionals in connection with the acquisition have been recognized directly in the income statement since January 1, 2010.

1.4) Financial assets held for trading

This category includes financial assets created or acquired for the purpose of obtaining a profit in the short term. This category also includes derivative financial instruments that have not been designated as hedging instruments.

They are initially recognized at fair value which is equivalent to their transaction price, barring evidence to the contrary. Transaction costs that are directly attributable to their issuance are recognized in profit or loss.

The initially-recognized amount of an equity investment includes preferential subscription and similar rights acquired.

Subsequent to initial recognition, financial assets held for trading are carried at fair value without any deduction for transaction costs that may be incurred on sale or other disposal. Changes in fair value are recognized in profit or loss.

1.5) Available-for-sale financial assets

This category includes debt securities and equity instruments that have not been classified in any of the preceding categories.

Upon initial recognition in the balance sheet, these investments are recognized at fair value, which, unless there is evidence to the contrary, is the transaction price, deemed equivalent to the fair value of the consideration paid plus directly attributable transaction costs. The initially-recognized amount of an equity investment includes preferential subscription and similar rights acquired.

After initial recognition, these assets are stated at fair value including any transaction costs relating to their sale. Changes in fair value are recognized directly in equity until the investment is derecognized or determined to be impaired, at which time the cumulative gain or loss previously deferred in equity is taken to the income statement. However, foreign exchange gains and losses on monetary assets denominated in foreign currency are recognized in the income statement.

Equity instruments whose fair value cannot be reliably determined are measured at cost, less any cumulative impairment.

Where preferential subscription or similar rights are sold or separated for the purpose of exercising them, the cost of these rights decreases the carrying amount of the respective assets.

1.6) Hedging derivatives

These are derivatives that qualify for hedge accounting.

Financial instruments that have been designated as hedging instruments or hedged items are measured as described in note 4.j below.

2) Derecognition

Financial assets are derecognized when the contractual rights to the related cash flows have expired or when the assets have been transferred, provided that the risks and rewards incidental to ownership have been substantially transferred.

If the Company has neither substantially transferred nor retained the risks and rewards incidental to ownership of the financial asset, it is derecognized when control over the asset is relinquished. If control over the asset is retained, the Company continues to recognize it to the extent to which it is exposed to changes in the value of the transferred asset, i.e. to the extent of its continuing involvement, recognizing the associated liability as well.

The difference between the consideration received, net of attributable transaction costs, including any new financial asset obtained less any liability assumed, and the carrying amount of the asset transferred, plus any cumulative gain or loss recognized directly in equity, determines the gain or loss generated upon derecognition, and is included in the income statement for the year to which it relates.

The Company does not derecognize financial assets in respect of the sale of financial assets in which it has retained substantially the risks and rewards incidental to ownership, such as discounted bills, recourse factoring, disposals of financial assets under repurchase agreements at fixed prices or at the sale price plus interest, and securitizations of financial assets in which it retains subordinate financing or other types of guarantees which substantially absorb estimated losses. In these instances, it recognizes a financial liability at an amount equal to the consideration received.

3) Interest and dividend income generated by financial assets

Interest and dividends accrued on financial assets subsequent to their acquisition are recognized as income; specifically, dividends and finance income received from group companies are classified as revenue in the income statement. Interest is recognized using the effective interest rate method; dividends are recognized when the right to receive them is established.

To this end, financial assets are recognized separately upon initial measurement based on maturity, accrued explicit interest receivable at that date, and the dividends approved by the competent governing body up to the date the assets are acquired. Explicit interest refers to the contractual interest rate applied to the financial instrument.

In addition, when distributed dividends are derived unmistakably from profit generated prior to the date of acquisition, based on the conclusion that the amounts distributed exceed the profit generated by the investee since acquisition, the dividends are not recognized as revenue but rather as a decrease in the carrying amount of the investment.

h) Impairment of financial assets

The carrying amount of financial assets is adjusted against profit and loss when there is objective evidence of an impairment loss.

To determine whether its financial assets may be impaired, the Company tests individual assets and portfolios of assets with similar risk traits for impairment.

Debt instruments

There is objective evidence that debt instruments (receivables, loans and debt securities) are impaired when an event has occurred after the initial recognition of the instrument that has an adverse impact on the related estimated future cash flows.

The Company designates debt instruments as impaired assets (doubtful exposures) when there is objective evidence of impairment, which refers basically to the existence of unpaid balances, contractual breaches, refinancing activity and/or other information evidencing the possibility that the total agreed-upon cash flows will not be collected on time, or at all.

For financial assets measured at amortized cost, impairment loss is measured as the difference between the carrying amount and the present value of the estimated future cash flows, discounted at the effective rate of interest prevailing upon initial recognition. For financial assets with floating interest rates, the effective interest rate at the reporting date is used.

For trade and other receivables, the Company considers balances past due by more than six months for which collection is uncertain, as well as balances owed by counterparties that have filed for creditor protection, to be doubtful assets.

Market value is used instead of the present value of estimated future cash flows in the case of quoted instruments, provided that this is considered a sufficiently reliable proxy for fair value.

The reversal of an impairment loss is recognized in the statement of profit or loss. Such reversal is limited to the carrying amount of the financial asset that would have been recognized on the reversal date had no impairment loss been recognized.

Equity instruments

There is objective evidence that equity instruments are impaired when one or more events have occurred after initial recognition that indicate that the cost of the investment in equity instruments may not be recovered due to a prolonged or significant decline in their fair value. Specifically, the Company considers that its equity instruments are impaired when their quoted value has decreased by 40% or for 18 months without having recovered their initial value.

In the case of equity instruments measured at fair value and included in the available-for-sale financial asset portfolio, impairment losses are measured at the difference between acquisition cost and fair value, less any previously recognized impairment losses. Unrealized capital losses deferred in equity are recognized immediately in profit or loss whenever it is deemed that such losses reflect a decline in fair value resulting from impairment. In the case of available-for-sale equity instruments, impairment losses give rise to a new cost basis for the impaired asset that provides the benchmark going forward for determining whether the investment has sustained additional permanent impairment and recognizing the related impairment losses. If, in a subsequent period, impairment losses are partially or totally reversed, a valuation adjustment is recognized for the related amount in equity.

In the case of equity instruments measured at cost and included in 'Available-for-sale financial assets' and 'Investments in group companies and associates', impairment loss is measured as the difference between the carrying amount of the financial asset and the recoverable amount, which is the greater of the asset's fair value less costs to sell and the present value of future cash flows derived from the investment. Unless better evidence is available, impairment of this type of asset is estimated based on the investee's equity adjusted for any unrealized capital gains existing on the measurement date. Impairment losses are recognized in the income statement and offset directly against the equity instrument.

For investments in group companies and associates, the reversal of an impairment loss is recognized in the income statement and is limited to the carrying amount of the investment that would have been recognized on the reversal date had the original impairment not occurred; an impairment loss recognized in previous years on available-for-sale financial assets measured at cost cannot be reversed.

i) <u>Financial liabilities</u>

1) <u>Classification and measurement</u>

1.1) Debts and payables (financial liabilities at amortized cost)

These instruments include financial liabilities generated by the purchase of goods and services in the ordinary course of the Company's business and non-trade payables that are not derivative instruments.

Upon initial recognition, they are recognized at fair value, which, barring evidence to the contrary, is the transaction price, deemed equivalent to the fair value of the consideration received, adjusted by directly attributable transaction costs.

Subsequent to initial recognition, these financial liabilities are measured at amortized cost. Accrued interest is recognized in the income statement using the effective interest rate method.

Nevertheless, trade payables that mature within less than one year with no contractual interest rate, as well as called-up payments on shares, payment of which is scheduled in the short term, are carried at their nominal value when the effect of not discounting the cash flows is not significant.

1.2) Financial liabilities held for trading:

This category includes financial liabilities issued with the intention of buying them back in the near term and derivative instruments that have not been designated as hedging instruments. These financial assets are recognized and measured using the same criteria as apply to financial assets held for trading.

1.3) Hedging derivatives

These are derivatives that qualify for hedge accounting. Financial instruments that have been designated as hedging instruments or hedged items are measured as described in note 4.j below.

2) Derecognition

The Company derecognizes a financial liability when the obligation under the liability is extinguished.

When debt instruments are exchanged, insofar as their contractual terms are substantially different, the original financial liability is derecognized and the new financial liability is recognized. Financial liabilities whose contractual terms are substantially modified are treated in the same manner.

The difference between the fair value of the derecognized financial liability (or part thereof) and the consideration paid, including any attributable transaction costs, and including any asset sold other than cash or liability assumed, is recognized in profit or loss in the year to which it relates.

When debt instruments are exchanged for other instruments whose contractual terms are not substantially different, the original financial liability is not derecognized and the commissions paid are recognized as a correction to the carrying amount. The new amortized cost of the financial liability is determined by applying the effective interest rate, namely that which equates the carrying amount of the financial liability on the modification date to the cash flows to be paid as per the new terms.

j) <u>Hedge accounting</u>

The Company typically arranges fair value hedges in respect of its foreign currency-denominated accounts receivable and cash flow hedges on loans arranged at floating rates and also hedges its net investments in its US subsidiaries.

Transactions are only designated as hedges when they effectively eliminate any risk inherent to the hedged item or position throughout the duration of the hedge, which means that the hedging item must be deemed highly effective at the inception of the contract (prospective effectiveness) and there must be sufficient evidence that the hedge has been effective throughout the life of the hedge (retrospective effectiveness).

The Company adequately documents its hedges, including how they are intended to achieve and measure effectiveness under current risk management policies.

To test its hedges for effectiveness, the Company verifies the actual results of the hedge, i.e., that the changes in the cash flows of the hedged item are offset by changes in the cash flows of its hedging instrument within a range of 80% and 125% throughout the life of the hedge, effectively delivering the forecasts established at inception.

If this correlation ceases to hold at any time, hedge accounting is discontinued and the hedges are reclassified as trading derivatives.

For measurement purposes, the Company classifies its hedges into three categories:

- Fair value hedges: These arrangements hedge the risk of variations in the fair value of accounts receivable as a result of changes in exchange rates. The changes generated by exchange differences in respect of both the hedging instrument and the hedged item are recognized in profit or loss.

- Cash flow hedges: These instruments hedge the risk of variations in cash flows attributable to changes in the interest rates borne on loans taken on. The Company uses interest rate swaps to exchange floating for fixed rates. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized temporarily in equity; the cumulative gain or loss is reclassified to profit or loss in the year or years in which the hedged transaction affects profit or loss.

- Hedges of net investments in foreign operations: These instruments hedge the foreign currency risk associated with the Company's net investments in its US subsidiaries. These hedges take the form of the dollar-denominated loans used to finance the acquisition of these businesses. The exchange gains and losses arising on both the hedging instrument and the US investments are recognized in profit or loss.

k) Own shares

Own shares are recognized at the amount of consideration delivered; they are recognized in equity (as a deduction) when they are acquired and no gain or loss is recognized in the income statement when they are sold or cancelled. The costs incurred to trade in own shares are recognized directly in equity as a deduction from reserves.

l) Cash and cash equivalents

This heading includes cash, current accounts, short-term deposits and purchases of assets under resale agreements that meet the following criteria:

- They are readily convertible to cash
- They mature within less than three months from the acquisition date
- The risk of change in value is insignificant
- They are part of the Company's standard cash management strategy

For cash flow statement purposes, occasional bank overdrafts used as part of the Company's cash management strategy are recognized as a decrease in cash and cash equivalents.

m) Grants

Grants are classified as non-repayable once the terms attaching to their award have been met. They are recognized directly in equity, net of the corresponding tax effect.

Repayable grants are recognized as liabilities by the Company until deemed non-repayable; no income is recorded until that point.

Grants received to finance specific expenses are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate. Grants received to acquire property, plant and equipment are released to income in proportion to the related depreciation charges.

n) Provisions and contingencies

Provisions are recognized on the balance sheet when the Company has a present obligation (legal or constructive, explicit or implicit) arising from past events, settlement of which is expected to result in an outflow of resources embodying economic benefits that can be measured reliably.

Provisions are measured at the present value of the best possible estimate of the amount needed to cancel the obligation or transfer it to a third party, recognizing the increase in the carrying amount of the provision due to the passage of time as borrowing cost. Provisions due to be settled within twelve months are not discounted if the impact of not doing so is not material. Provisions are reviewed at each reporting date and adjusted to reflect the best estimate of the liability at each review date.

o) Non-current employee benefit liabilities

Under the prevailing collective bargaining agreements and other non-binding agreements, the Company is obliged to make annual supplementary payments of various kinds and other bonuses for long service and retirement, where applicable, to its permanent employees upon retirement at the legally stipulated age or early retirement. At present, the Company only has these commitments with some of its current employees.

The provision recognized for long-service bonuses represents the present value, calculated using actuarial studies performed by independent experts, of the potential future payments to these employees.

The post-employment and similar obligations have been externalized as stipulated under prevailing legislation. Since externalizing this obligation, the Company is committed to making annual contributions to the externalized pension fund in an estimated amount that is not material in respect of the universe of employees affected.

In addition, the Company grants its employees certain voluntary retirement bonuses of undetermined amount. These bonuses, which are scantly material, are recognized as an expense when they are paid.

p) Income tax

Income tax expense for the year is calculated as the sum of current tax resulting from applying the corresponding tax rate to taxable profit for the year, less any applicable tax credits, taking into account changes during the year in recognized deferred tax assets and liabilities. The corresponding tax expense is recognized in the income statement, except when it relates to transactions recognized directly in equity, in which case it is likewise recognized in equity, and when it relates to business combinations, in which case it is recognized with a charge or credit to goodwill.

Deferred income tax is recognized using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. The tax base of an asset or liability is the amount attributed to it for tax purposes.

The tax effect of temporary differences is included in ‘Deferred tax assets' or ‘Deferred tax liabilities’ on the balance sheet, as applicable.

The Company recognizes deferred tax liabilities in respect of all taxable temporary differences, except as stipulated in prevailing legislation.

The Company recognizes deferred tax assets for all deductible temporary differences and the carryforward of unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized, except as disallowed under prevailing legislation.

At each reporting date, the Company reassesses recognized and unrecognized deferred taxes. Based on the outcome of this assessment, the Company derecognizes a previously recognized deferred tax asset if its recovery is no longer deemed probable, and recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate expected to apply in the period in which they reverse, as required by enacted tax laws, and in the manner in which it reasonably expects to recover or settle the deferred tax asset or liability, respectively.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets or non-current liabilities, respectively.

q) <u>Distinction between current and non-current</u>

A distinction is made between current and non-current assets and liabilities in the balance sheet. An item is classified as current if it is associated with the Company's normal operating cycle and its realization, sale or consumption is expected to occur within this cycle; falling beyond this scope, if its realization is expected to occur within twelve months of the reporting period; if it is held primarily for the purpose of trading; or if it is cash or a cash equivalent, so long as its use is not restricted for more than one year.

r) <u>Income and expense</u>

Revenue and expenses are recognized on an accruals basis, regardless of when actual payment or collection occurs.

<u>Revenue from sales of goods and rendering of services</u>

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of any discounts, price reductions or similar promotions the Company may grant, and, where relevant, net of the interest income arising from sales financing granted. Applicable indirect taxes on transactions which are reimbursed by third parties are not included.

Revenue is recognized based on the economic substance of the transaction and only when all of the following prerequisites have been met:

a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods (regardless of when they are legally transferred)

b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold

c) The amount of revenue can be measured reliably

d) It is probable that the economic benefits associated with the transaction will flow to the Company; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably

s) Discontinued operations

The income and expenses of discontinued operations are included in a single line item, net of the corresponding tax effect, under 'Profit/(loss) for the year from discontinued operations, net of income tax'. This heading also includes the after-tax gain or loss recognized upon measuring the assets or disposal groups constituting the discontinued operation at fair value less costs to sell.

t) Foreign currency transactions

The Company's functional and presentational currency is the euro.

Transactions in foreign currency are initially translated at the spot rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the spot rate prevailing at the balance sheet date. All exchange gains or losses arising from translation as well as those resulting from settlement of balance sheet items are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at historical cost are translated at the exchange rate prevailing on the date of the transaction. As an exception, as indicated in note 4.j above, valuation adjustments deriving from the impact of exchange rate movements on the Company's US subsidiaries are recognized by restating the value of these net investments with a credit or charge in profit or loss.

Non-monetary items measured at fair value are translated at the exchange rate prevailing when fair value is determined. When a gain or loss on a non-monetary item is recognized directly in equity, any exchange component of that gain or loss is similarly recognized in equity; conversely, when the gain or loss is recognized in profit or loss, any exchange component is recognized in the income statement.

u) Environmental assets and liabilities

Expenses relating to decontamination and restoration work in contaminated areas, as well as the elimination of waste and other expenses incurred to comply with environmental legislation are expensed in the year to which they relate, unless they correspond to the purchase of assets for the purpose of long-standing use in its business operations whose main use is to minimize environmental damage and/or enhance environmental protection, in which case they are recognized in the corresponding heading within 'Property, plant and equipment' and are depreciated using the same criteria as other assets so classified.

v) Termination benefits

Under prevailing legislation, the Company is obliged to pay severance to employees that are discontinued under certain circumstances. Termination benefits that can be reasonably estimated are recognized as an expense in the year in which the redundancy decision is taken.

x) Related-party transactions

The Company conducts all related-party transactions on an arm's length basis. In addition, its transfer prices are duly documented so that the Company's directors do not believe there is a significant risk of related liabilities going forward.

(Thousands of euros)

5. INTANGIBLE ASSETS

The reconciliation of the carrying amounts of the various items comprising intangible assets at the beginning and the end of 2017 and 2016 is as follows:

Carrying amounts	Trademarks & patents	Computer software	Total
Balance at December 31, 2015	7,866	690	**8,556**
Balance at December 31, 2016	7,079	551	**7,630**
Balance at December 31, 2017	6,292	524	**6,816**

Gross carrying amounts	Trademarks & patents	Computer software	Total
Balance at December 31, 2015	**13,110**	**3,021**	**16,131**
Business combinations			0
Additions		56	56
Decreases			0
Translation differences			0
Transfers			0
Balance at December 31, 2016	**13,110**	**3,077**	**16,187**
Business combinations			0
Additions		208	208
Decreases		(408)	(408)
Translation differences			0
Transfers			0
Balance at December 31, 2017	**13,110**	**2,877**	**15,987**

Amortization and impairment charges	Trademarks & patents	Computer software	Total
Balance at December 31, 2015	**(5,244)**	**(2,331)**	**(7,575)**
Business combinations			0
Additions	(787)	(195)	(982)
Decreases			0
Translation differences			0
Transfers			0
Balance at December 31, 2016	**(6,031)**	**(2,526)**	**(8,557)**
Business combinations			0
Additions	(787)	(235)	(1,022)
Decreases		408	408
Translation differences			0
Transfers			0
Balance at December 31, 2017	**(6,818)**	**(2,353)**	**(9,171)**

At year-end 2017, the Company had patents and trademarks with an original cost of 1,649 thousand euros (year-end 2016: 1,648 thousand euros) and computer software with an original cost of 1,891 thousand euros (year-end 2016: 2,511 thousand euros) still in use that were fully amortized.

None of the Company's intangible assets is located outside Spain other than the Portuguese brand “Saludaes” and the Dutch brand “Lassie”, acquired in 2011. The Company was not party to any firm commitments for the acquisition of intangible assets at either year-end.

There were no major movements in intangible assets in either reporting period.

In 2017, the Company recognized 1,022 thousand euros of amortization charges in respect of these intangible assets (2016: 982 thousand euros); it did not recognize any impairment losses on these assets in either reporting period.

The recoverable amount of the Company's trademarks and brands was determined by calculating their value in use, using cash flow projections that are based on budgets that cover a five-year horizon and are then projected for another five years. The rates used in 2017 to discount these assets' projected cash flows were 7.3% in Netherlands (2016: 7.1%) and 9.3% in Portugal (10.3%), depending on the business market of each brand. Cash flows beyond the initial 5-year budget horizon were extrapolated using the corresponding units' medium to long-term growth rates, which are typically between 1.6% and 1.8% (1.5% - 1.8% in 2016), depending on the business.

With respect to the assumptions used to calculate these brands' value in use, management believes that no reasonably-possible change in the key assumptions used would cause their carrying amounts to significantly exceed their recoverable amounts, indicating the need to recognize additional impairment losses.

(Thousands of euros)

6. PROPERTY, PLANT AND EQUIPMENT

The reconciliation of the carrying amounts of the various items comprising property, plant and equipment at the beginning and the end of 2017 and 2016 is as follows:

Carrying amounts	Land	Buildings	Plant & other PP&E	In progress and prepayments	**Total**
Balance at December 31, 2015	307	183	659	0	**1,149**
Balance at December 31, 2016	307	171	873	0	**1,351**
Balance at December 31, 2017	281	0	697	0	**978**

Gross carrying amounts	Land	Buildings	Plant and equipment	In progress	Total
Balance at December 31, 2015	**307**	**1,149**	**4,999**	**0**	**6,455**
Additions			428		428
Decreases					0
Transfers					0
Balance at December 31, 2016	**307**	**1,149**	**5,427**	**0**	**6,883**
Additions			73		73
Decreases	(26)	(1,149)	(555)		(1,730)
Transfers					0
Balance at December 31, 2017	**281**	**0**	**4,945**	**0**	**5,226**

Accumulated depreciation	Land	Buildings	Plant and equipment	In progress	Total
Balance at December 31, 2015	**0**	**(966)**	**(4,340)**	**0**	**(5,306)**
Additions		(12)	(214)		(226)
Decreases					0
Transfers					0
Balance at December 31, 2016	**0**	**(978)**	**(4,554)**	**0**	**(5,532)**
Additions		(12)	(249)		(261)
Decreases		990	555		1,545
Transfers					0
Balance at December 31, 2017	**0**	**0**	**(4,248)**	**0**	**(4,248)**

In 2017, the Company sold one property in Madrid, generating a pre-tax gain of 1,347 thousand euros. There were no material movements under this heading in 2016.

According to the directors' estimates and projections, there are no indications that its property, plant or equipment may be impaired. The Company has taken out insurance policies to cover the carrying amount of its property, plant and equipment. The breakdown at year-end of the original cost of fully-depreciated items of property, plant and equipment still in use is shown in the next table:

	2016	2017
Other fixtures, tools and furniture	2,103	2,201
Other fixed assets	2,218	1,365

(Thousands of euros)

There were no firm commitments for the acquisition of material amounts of property, plant and equipment at either year-end. No material items of property, plant or equipment are located outside Spain.

Operating leases

The Company leases its head offices in Madrid under an agreement in force until April 6, 2018, and its Barcelona office under an agreement that terminates on December 1, 2018; it also leases its systems office space in Granada. However, on March 1, 2018, it entered into a new lease over the Barcelona office space, which replaces the former agreement, for a five-year term until March 1, 2023, and it is in the process of negotiating a new lease over its office space in Madrid. These leases are rolled over automatically if neither party gives termination notice. There are no material contingent payments under these leases. Expenditure under operating leases totaled 1,080 thousand euros in 2017 (2016: 1,128 thousand euros). The future minimum payments under the Company's non-cancelable operating leases at December 31, 2017 (including the new lease over the office space in Barcelona) break down as follows:

	Dec 31, 2016	Dec 31, 2017
Within one year	1,131	494
Between one and five years	285	178
More than five years	0	0
	1,416	**672**

7. INVESTMENT PROPERTIES

The reconciliation of the carrying amounts of the Company's investment properties at the beginning and the end of 2017 and 2016 is as follows:

Carrying amounts	Land	Buildings	**Total**
Balance at December 31, 2015	7,276	4,683	**11,959**
Balance at December 31, 2016	7,276	610	**7,886**
Balance at December 31, 2017	7,276	568	**7,844**

Gross carrying amounts	Land	Buildings	Total
Balance at December 31, 2015	**7,276**	**6,062**	**13,338**
Additions			0
Decreases		(5,034)	(5,034)
Balance at December 31, 2016	**7,276**	**1,028**	**8,304**
Additions			0
Decreases		(103)	(103)
Balance at December 31, 2017	**7,276**	**925**	**8,201**

Accumulated depreciation	Land	Buildings	Total
Balance at December 31, 2015	**0**	**(1,379)**	**(1,379)**
Additions		(30)	(30)
Decreases		991	991
Balance at December 31, 2016	**0**	**(418)**	**(418)**
Additions		(7)	(7)
Decreases		68	68
Balance at December 31, 2017	**0**	**(357)**	**(357)**

(Thousands of euros)

There were no material movements under this heading in 2017. In 2016, the Company sold one property in Madrid and another, smaller in size, in Seville, generating a pre-tax gain of 13,287 thousand euros.

None of the investment properties is located outside Spain. The original cost of fully-depreciated investment properties still in use was 81 thousand euros at both year-ends. The expenses associated with these properties related to their upkeep and the related depreciation charges. Maintenance expenses totaled 256 thousand euros in 2017 (2016: 424 thousand euros). All expenses are recognized in the income statement as accrued. The Company has no contractual obligations to acquire, build on or develop its investment properties or to repair, maintain or upgrade them.

The breakdown of the future minimum payments receivable under non-cancelable operating leases at year-end is as follows:

	Dec 31, 2017
Within one year	54
Between one and five years	0
More than five years	0
	54

There are no restrictions on the monetization of the Company's investment properties or any proceeds from their disposal.

(Thousands of euros)

8. NON-CURRENT INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES

The reconciliation of the carrying amounts of the Company's investments at the beginning and the end of 2017 and 2016 is as follows:

ITEM	BALANCE AT Dec. 31, 2015	Additions	Decreases	Transfers	BALANCE AT Dec. 31, 2016
Equity instruments in group companies	1,588,110	18,067	0	0	1,606,177
Equity instruments in associates	18,000	13,615	0	0	31,615
Provision for impairment	(63,310)	(381)	7,130	0	(56,561)
	1,542,800	**31,301**	**7,130**	**0**	**1,581,231**
Loans to group companies	251	42	0	0	293
TOTAL INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES	**1,543,051**	**31,343**	**7,130**	**0**	**1,581,524**

ITEM	BALANCE AT Dec. 31, 2016	Additions	Decreases	Transfers	BALANCE AT Dec 31, 2017
Equity instruments in group companies	1,606,177	20,000	(46,592)	0	1,579,585
Equity instruments in associates	31,615	0	0	0	31,615
Provision for impairment	(56,561)	0	2,387	0	(54,174)
	1,581,231	**20,000**	**(44,205)**	**0**	**1,557,026**
Loans to group companies	293	1,711	0	0	2,004
TOTAL INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES	**1,581,524**	**21,711**	**(44,205)**	**0**	**1,559,030**

a) Equity instruments in group companies:

The main changes in each year are as follows:

<u>2017</u>

1. In December 2016, the Group merged several US-resident companies with the aim of simplifying and streamlining its structure in that market (Ebro North America) and reducing costs, reasons deemed valid from an economic and tax perspective. That reorganization, which culminated in the merger of the Group's two main North American subsidiaries (Riviana Foods, Inc. and New World Pasta, Inc., the latter merging into the former) was structured as a tax-free reorganization in the US; the equivalent tax-neutral regime was availed of in Spain (specifically the regime provided for in Chapter VII of Title VII of Spain's Corporate Income Tax Act (Law 27/2014)). The merger took effect for legal and financial purposes from January 1, 2017. Ebro Foods, S.A. owned 100% of both companies (directly and indirectly), a percentage that has not changed since the merger.

   In 2017, the Company's equity investment in this business declined by 46,592 thousand euros for the following reason: the historical acquisition cost of the investment in Riviana Foods Inc., after the merger, is 526,639 thousand euros. However, this financial asset is a designated hedged item; the hedging item, which is effective, is the loan taken on to fund the acquisition; accordingly, the changes in value arising between its original cost in US dollars and its euro equivalent give rise to adjustments in this cost basis.

The corresponding adjustment in 2017 was a decrease of 46,592 thousand euros, which was recognized as a loss in the income statement; the accumulated net gain at year-end stood at 8,368 thousand euros.

2. An increase of 20,000 thousand euros in the investment in Geovita Group in Italy, whose parent is Geovita Funtional, S.r.l., due to the acquisition of 52% of its share capital: 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 remaining 3,500 thousand euros is subject to delivery of certain targets between 2017 and 2019 (note 9.2.b). The acquisition was financed from own funds.

   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. This put option contractually gives rise to a financial derivative for the period until it is exercised, due to the existence of a minimum guaranteed price; this derivative contract has been recognized as a non-current financial liability (note 9.2.b).

<u>2016</u>

3. An increase of 6,625 thousand euros: the original cost basis of the investment in Riviana Foods Inc. (acquisition cost) is 240,753 thousand euros. However, this financial asset is a designated hedged item; the hedging item, which is effective, is the loan taken on to fund the acquisition; accordingly, the changes in value arising between its original cost in US dollars and its euro equivalent give rise to adjustments in this cost basis. The corresponding adjustment in 2016 was an increase of 6,625 thousand euros, which was recognized as a gain in the income statement; the accumulated net gain at year-end stood at 29,629 thousand euros.

4. An increase of 5,664 thousand euros: the original cost basis of the investment in New World Pasta Co. (original acquisition cost) is 285,884 thousand euros. However, this financial asset is a designated hedged item; the hedging item, which is effective, is the loan taken on to fund the acquisition; accordingly, the changes in value arising between its original cost in US dollars and its euro equivalent give rise to adjustments in this cost basis. The corresponding adjustment in 2016 was an increase of 5,664 thousand euros, which was recognized as a gain in the income statement; the accumulated net gain at year-end stood at 25,331 thousand euros.

5. An increase of 5,778 thousand euros as a result of the acquisition of 52% of the share capital of Santa Rita Harinas, S.L.: Santa Rita Harinas, S.L. is a Spanish company that makes and markets flour and cooking mixes. Underpinned by a strong strategic commitment to R&D and innovation, it has become the leader in the premium packaged flour segment. Its factory is located in Loranca de Tajuña (Guadalajara) and it has 15 employees. In total the Group paid 5,778 thousand euros for its 52% interest, 4,778 thousand euros of which was paid in 2016; payment of remaining 1,000 thousand euros is subject to delivery of certain targets in respect of 2016, 2017 and 2018. The acquisition was financed from own funds.

   In addition, the Group has arranged two options with the other shareholder over the remaining 48%, granting the seller a put option (exercisable from August 2019 with no expiry date) and the Ebro Group a call option (exercisable from August 2026 with no expiry date). The acquisition price in the event these options are 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. This put option contractually gives rise to a financial derivative for the period until the call or put is exercised, due to the existence of a minimum guaranteed price; this derivative contract has been recognized as a non-current financial liability (note 9.2.b).

b) Equity instruments in associates:

The 31,615 thousand euro investment corresponds to a 40% equity interest in Italy's Riso Scotti S.p.A. In August 2013, the Company acquired 25% of this Italian company from the Scotti Group. In 2016, it increased its shareholding to 40%. The Scotti Group is an Italian group specialized in the production and processing of rice. It is the leading maker of risotto rice in Italy and boasts a broad portfolio of products that it sells under the Scotti brand in more than 70 markets. This portfolio includes multiple value-added products (rice and soy milk, rice biscuits, rice oils, ready meals, etc.) that represent a modern take on Italian cuisine and are targeted at the premium segment. The Company's 40% interest in the Scotti Group is accounted for as an investment in an associate.

c) Non-current loans to group companies:

The loan extended by the Company to Beira Terrace Soc. de Construçoes, Ltda., a 100%-owned Portuguese subsidiary, is the most significant item presented under non-current loans to group companies (note 17) at year-end; the balance receivable at December 31, 2017 stood at 2,004 thousand euros (year-end 2016: 293 thousand euros). These loans don't have a fixed maturity and earn interest at 3-month Euribor plus 0.90% (0.90% in 2016).

d) Impairment losses:

The increases and decreases recognized in 2017 and 2016 correspond to impairment allowances on the Company's investments in Beira Terrace Soc. de Construçoes, Ltda., Ebro Germany, Gmbh. and Dosbio, S.L.

The earnings of the group companies indicated in the table at the end of this note correspond in their entirety to continuing operations.

(Thousands of euros)

The direct investments held by Ebro Foods, S.A. in group companies and associates at December 31, 2017 (none of the group companies being listed other than Ebro Foods, S.A. itself) are:

SUBSIDIARIES AND ASSOCIATES	Investment	Impairment losses	% Shareholding	Registered office	Business activity	(a) Capital & reserves	(a) Profit/(loss) 2017	Dividend paid in 2017	Total capital & reserves	Op. profit/ (loss)
Dosbio 2010, S.L.	22,297	(14,569)	100.00%	Madrid (Spain)	Flour production	7,732	(3)	-	7,729	(4)
Fincas e Inversiones Ebro, S.A.	4,926	-	100.00%	Madrid (Spain)	Agricultural holding	7,940	54	-	7,994	72
Arotz Foods, S.A.	22,864	-	100.00%	Madrid (Spain)	Tinned vegetables	31,846	254	-	32,100	176
Herba Foods S.L.	59,695	-	100.00%	Madrid (Spain)	Investment management	102,799	7,408	(10,000)	100,207	4,624
Herba Ricemills S.L	153,451	-	100.00%	Madrid (Spain)	Production and sale of rice	182,394	15,888	(9,000)	189,282	22,421
Herba Nutrición S.L	526	-	100.00%	Madrid (Spain)	Production and sale of rice	1,130	3,028	(3,000)	1,158	37
Jiloca Industrial, S.A.	1,500	-	100.00%	Teruel (Spain)	Production of organic fertilizer	1,796	522	(240)	2,078	728
Networks Meal Solutions, S.A.	2	-	100.00%	Madrid (Spain)	Dormant	1	0	-	1	0
Fundación Ebro	0	-	100.00%	Madrid (Spain)	Charitable foundation	301	0	-	301	0
Ebro Financial Corporate Services, S.L.	150,003	-	100.00%	Madrid (Spain)	Financial and insurance management	155,444	565	-	156,009	(129)
Harinas Santa Rita, S.A.	5,778	-	52.00%	Guadalajara (Spain)	Production and sale of flour	11,223	481	(156)	11,548	524
Beira Terrace Soc. de Const., Ltda.	12,436	(8,688)	100.00%	Porto (Portugal)	Real estate	1,360	2,388	-	3,748	2,638
Riceland, Kft. (*)	597	-	20.00%	Budapest (Hungary)	Production and sale of rice	1,693	443	-	2,136	496
Riviana Foods Inc. (Group) (**)	535,007	-	84.47%	Houston, Texas (USA)	Production and sale of rice and pasta	1,277,692	140,922	-	1,418,614	122,246
Panzani, SAS (Group)	440,838	-	100.00%	Lyon (France)	Production and sale of pasta and sauces	677,940	46,672	(50,000)	674,612	67,464
Ebro Foods, Gmbh (Group) (***)	87,078	(30,917)	68.90%	Germany	Production and sale of pasta and sauces	85,966	1,020	-	86,986	(157)
Ebro Foods Alimentación, S.A.	1	-	100.00%	Mexico	Sale and marketing of rice	714	(108)	-	606	(84)
Pastificio Lucio Garofalo, S.r.l. (Group)	62,586	-	52.00%	Naples (Italy)	Production and sale of pasta and sauces	129,626	13,240	-	142,866	18,306
Geovita Functional Ingredients (Group)	20,000	-	52.00%	Vercelli (Italy)	Production and sale of pulses	38,435	661	-	39,096	1,015
Riso Scotti, S.p.a. (Group)	31,615	-	40.00%	Milan (Italy)	Production and sale of rice	77,311	2,000	(750)	78,561	5,800
TOTAL	**1,611,200**	**(54,174)**						**(73,146)**		

(a) Whenever the subsidiary's name is followed by “(Group)”, the figures pertaining to that company's capital, reserves and profit or loss refer to the consolidated figures of that investee and its own subsidiaries and associates before considering dividends paid in 2017. In order to present uniform data for the various companies and groups of companies, the capital, reserves and earnings figures are obtained applying the International Financial Reporting Standard adopted by the European Union.

(*) Ebro Foods, S.A. owns 100% of this company, 20% directly and the other 80% indirectly via Herba Foods, S.L.

(**) Ebro Foods, S.A. owns 100% of this company, 84.5% directly and the other 15.5% indirectly via wholly-owned subsidiaries of Riviana.

(***) Ebro Foods, S.A. owns 100% of this company, 68.9% directly and the other 31.1% indirectly via subsidiaries.

(Thousands of euros)

The direct investments held by Ebro Foods, S.A. in group companies and associates at December 31, 2016 are itemized below:

SUBSIDIARIES AND ASSOCIATES	Investment	Impairment losses	% Shareholding	Registered office	Business activity	(a) Capital & reserves	(a) Profit/(loss) 2016	Dividend paid in 2016	Total capital & reserves	Op. profit/ (loss)
Dosbio 2010, S.L.	22,297	(14,569)	100.00%	Madrid (Spain)	Flour production	8,134	(402)	-	7,732	(948)
Fincas e Inversiones Ebro, S.A.	4,926	-	100.00%	Madrid (Spain)	Agricultural holding	7,873	67	-	7,940	89
Arotz Foods, S.A.	22,864	-	100.00%	Madrid (Spain)	Tinned vegetables	31,556	290	-	31,846	181
Herba Foods S.L.	59,695	-	100.00%	Madrid (Spain)	Investment management	94,157	6,538	-	100,695	9,259
Herba Ricemills S.L	153,451	-	100.00%	Madrid (Spain)	Production and sale of rice	173,536	18,858	(10,000)	182,394	23,885
Herba Nutrición S.L	526	-	100.00%	Madrid (Spain)	Production and sale of rice	3,126	4	(2,000)	1,130	6
Jiloca Industrial, S.A.	1,500	-	100.00%	Teruel (Spain)	Production of organic fertilizer	1,728	491	(423)	1,796	684
Networks Meal Solutions, S.A.	2	-	100.00%	Madrid (Spain)	Dormant	1	0	-	1	0
Fundación Ebro	0	-	100.00%	Madrid (Spain)	Charitable foundation	301	0	-	301	0
Ebro Financial Corporate Services, S.L.	150,003	-	100.00%	Madrid (Spain)	Financial and insurance management	154,820	624	-	155,444	(141)
Harinas Santa Rita, S.A.	5,778	-	52.00%	Guadalajara (Spain)	Production and sale of flour	11,112	255	-	11,367	334
Beira Terrace Soc. de Const., Ltda.	12,436	(11,075)	100.00%	Porto (Portugal)	Real estate	1,412	(52)	-	1,360	(50)
Riceland, Ltda. (*)	597	-	20.00%	Budapest (Hungary)	Production and sale of rice	1,461	236	-	1,697	278
Riviana Foods Inc. (Group) (**)	270,383	-	75.00%	Houston, Texas (USA)	Production and sale of rice	723,658	66,832	-	790,490	98,373
Panzani, SAS (Group)	440,838	-	100.00%	Lyon (France)	Production and sale of pasta and sauces	632,575	44,830	-	677,405	62,578
New World Pasta Comp. (Group)	311,216	-	100.00%	Harrisburg (USA)	Production and sale of pasta and sauces	638,387	13,122	-	651,509	18,609
Ebro Foods, Gmbh (Group) (***)	87,078	(30,917)	68.90%	Germany	Production and sale of pasta and sauces	85,140	815	-	85,955	607
Ebro Foods Alimentación, S.A.	1	-	100.00%	Mexico	Sale and marketing of rice	451	324	-	775	396
Pastificio Lucio Garofalo, S.r.l. (Group)	62,586	-	52.00%	Naples (Italy)	Production and sale of pasta and sauces	127,034	8,013	(1,500)	133,547	13,273
Riso Scotti, S.p.a. (Group)	31,615	-	40.00%	Milan (Italy)	Production and sale of rice	81,036	(2,092)	(509)	78,435	5,500
TOTAL	**1,637,792**	**(56,561)**						**(14,432)**		

(Thousands of euros)

9. FINANCIAL INSTRUMENTS

9.1 Financial assets

The breakdown of financial assets, excluding investments in group companies and jointly-controlled entities (note 8), at year-end, is as follows:

NON-CURRENT FINANCIAL INSTRUMENTS (assets)	Equity instruments		Debt instruments		Loans and receivables & derivatives		TOTAL	
Categories	YE 2017	YE 2016	YE 2017	YE 2016	YE 2017	YE 2016	YE 2017	YE 2016
Assets at fair value through profit or loss:								
a) Held for trading							0	0
b) Other							0	0
Held-to-maturity investments							0	0
Loans and receivables					24,037	22,733	24,037	22,733
Available-for-sale financial assets:								
a) Measured at fair value	0	0					0	0
b) Measured at cost							0	0
Hedging derivatives							0	0
TOTAL	**0**	**0**	**0**	**0**	**24,037**	**22,733**	**24,037**	**22,733**

CURRENT FINANCIAL INSTRUMENTS (assets)	Equity instruments		Debt instruments		Loans and receivables & derivatives		TOTAL	
Categories	YE 2017	YE 2016	YE 2017	YE 2016	YE 2017	YE 2016	YE 2017	YE 2016
Assets at fair value through profit or loss:								
a) Held for trading							0	0
b) Other					0	750	0	750
Held-to-maturity investments							0	0
Loans and receivables					6,877	6,884	6,877	6,884
Available-for-sale financial assets:								
a) Measured at fair value							0	0
b) Measured at cost							0	0
Hedging derivatives							0	0
TOTAL	**0**	**0**	**0**	**0**	**6,877**	**7,634**	**6,877**	**7,634**

Loans and receivables

	YE 2017	YE 2016
Non-current financial assets		
Loans to group companies (notes 8 & 17)	2,004	293
Loans to third parties	21,885	22,293
Long-term deposits	148	147
	24,037	22,733
Non-current financial assets		
Loans to group companies (notes 8 & 17)	0	0
Trade and other receivables (note 10)	5,666	5,199
Loans to third parties	1,211	2,435
	6,877	7,634
TOTAL	**30,914**	**30,367**

(Thousands of euros)

The balance of loans to third parties at both reporting dates corresponds mainly to the deferred portion of the purchase price for the Nomen brands under the agreement reached in 2012. That agreement was renegotiated in September 2014 to extend the collection term by a further two years and reduce the interest rate from 4.2% to 3.4% and then again in 2017, extending the term a further two years and leaving the interest rate intact at 3.4%.

The non-current portion of this vendor loan is 21,885 thousand euros and the current portion, 1,211 thousand euros. This loan accrues interest at a rate of 3.4% and the last instalment is due in September 2029. The Nomen trademarks have been pledged as collateral to guarantee repayment of this loan.

Exchange differences recognized in profit or loss for the year

The exchange differences recognized in profit or loss in 2017 and 2016 for each financial asset category are broken down below:

Exchange differences recognized in profit or loss	**Loans and receivables**		**Equity instruments in group companies**		**Loans and payables**		**TOTAL**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
- For transactions settled during the year	(32)	154	0	0	(197)	12	(229)	166
- For transactions pending settlement at year-end	0	0	0	0	3,736	(470)	3,736	(470)
- For foreign exchange hedges	0	0	(46,592)	12,289	46,592	(12,289)	0	0
Total (expense)/income recognized in profit or loss for the year	**(32)**	**154**	**(46,592)**	**12,289**	**50,131**	**(12,747)**	**3,507**	**(304)**

9.2 Financial liabilities

The breakdown of the Company's financial liabilities at December 31, 2017 and 2016 is as follows:

NON-CURRENT FINANCIAL INSTRUMENTS (liabilities)	**Bank borrowings**		**Bonds and other marketable securities**		**Derivatives and other accounts payable**		**TOTAL**	
Categories	**YE 2017**	**YE 2016**	**YE 2017**	**YE 2016**	**YE 2017**	**YE 2016**	**YE 2017**	**YE 2016**
Debts and payables (financial liabilities at amorti	291,963	387,097			4,512	1,012	296,475	388,109
Liabilities at fair value through profit or loss								
a) Held for trading							0	0
b) Other					2,459	1,510	2,459	1,510
Hedging derivatives							0	0
Total	**291,963**	**387,097**	**0**	**0**	**6,971**	**2,522**	**298,934**	**389,619**

CURRENT FINANCIAL INSTRUMENTS (liabilities)	**Bank borrowings**		**Bonds and other marketable securities**		**Derivatives and other accounts payable**		**TOTAL**	
Categories	**YE 2017**	**YE 2016**	**YE 2017**	**YE 2016**	**YE 2017**	**YE 2016**	**YE 2017**	**YE 2016**
Debts and payables (financial liabilities at amorti	50,074	30,556			4,835	5,963	54,909	36,519
Liabilities at fair value through profit or loss								
a) Held for trading							0	0
b) Other							0	0
Hedging derivatives							0	0
Total	**50,074**	**30,556**	**0**	**0**	**4,835**	**5,963**	**54,909**	**36,519**

a) Bank borrowings Refer to note 13.

b) Derivatives and other accounts payable

The breakdown of the financial liabilities included in this category is as follows:

Thousands of euros	YE 2017	YE 2016
Non-current		
Derivatives	2,459	1,510
Trade and other payables	4,500	1,000
Security deposits	12	12
	6,971	**2,522**
Current		
Derivatives	0	0
Trade and other payables	4,622	5,905
Other financial liabilities	213	58
	4,835	**5,963**

The non-current balance of trade and other payables includes a 1,000 thousand euro earnout payable to the seller of Santa Rita Harinas, S.L. subject to delivery of certain milestones between 2016 and 2018 (note 8.a.5) and the 3,500 thousand euro earnout payable to the seller of Geovita, subject to delivery of certain milestones between 2017 and 2019 (note 8.a.2).

The non-current derivatives balance includes the value assigned to the derivative contracts indicated below:

- Call-put option over 48% of the Italian pasta group, Garofalo – the value ascribed to this derivative is 211 thousand euros. When the Company acquired a 52% interest in this entity, it arranged two options with the other shareholder over the remaining 48%, granting the seller a put option (exercisable until May 2024) and the Ebro Group a call option (exercisable from June 2024 until May 2026). The acquisition price in the event these options are 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. This option contractually gives rise to a financial derivative for the next four years (until June 30, 2018), due to the existence of a guaranteed minimum price during that period; this obligation has been recognized as a non-current financial liability.

- Call-put option over 48% of Santa Rita Harinas, S.L. – the value ascribed to this derivative is 532 thousand euros. When acquiring 52% of this entity, the Company arranged two options with the other shareholder over the remaining 48%, granting the seller a put option (exercisable from August 2019 with no expiry date) and the Ebro Group a call option (exercisable from August 2026 with no expiry date). The acquisition price in the event these options are 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. This option contractually gives rise to a financial derivative for the period until the call or put is exercised, due to the existence of a minimum guaranteed price; this derivative contract has been recognized as a non-current financial liability.

- Call-put option over 48% of Geovita Funtional, S.r.l. (note 8.a.2) – the value ascribed to this derivative is 1,716 thousand euros.

c) Nature and extent of risks arising from financial instruments

The main objective of the Company’s capital management policy is to guarantee a capital structure that complies with prevailing regulations in its group's operating markets. In addition, its capital management policy is designed to preserve its credit metrics and to maximize shareholder value.

The Company's business activities and operations expose it to financial risks including foreign currency and interest rate risk.

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 manage its borrowing costs by using a mix of fixed and variable rates. The goal is minimize the Company's exposure to this risk factor, to which end it tracks market rate trends exhaustively with the help of external experts.

It arranges interest-rate hedges as deemed necessary under which it agrees to swap, during specific periods, the difference between the amount of fixed and variable interest, calculated on the basis of a notional amount of principal agreed between the parties. These derivative or structured products are designed to hedge the underlying payment obligations.

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. The Company attempts to mitigate the impact of this structural exchange-rate risk by denominating its borrowings in US dollars. As a result, 63.3% of the Company's US investments are hedged in this manner.

At year-end 2017, non-current borrowings include two loans in an aggregate amount of 171 million US dollars (year-end 2016: 251 million euros) (note 13), while non-current borrowings from group companies include a loan of 237 million US dollars (year-end 2016: 154 million US dollars) (note 17), all of which have been designated as hedges of the Company's net investments in its US subsidiaries; they are used to hedge the Company's exposure to exchange rate risk on these investments. The gains and losses generated upon translation of these loans into euros are recognized in the income statement and exactly offset the exchange gains and losses recognized on the translation of these net investments into euros (notes 8.a & 9.1).

Liquidity risk: The Company manages the risk of a shortfall of short-term liquidity with a liquidity planning tool. This tool analyzes the maturity of the Company's financial assets and liabilities in conjunction with its operating cash flow projections. Ebro Foods, S.A. is the parent of a consolidated group comprising it and its subsidiaries and associates with which it separately presents consolidated financial statements.

This fact should be taken into consideration in assessing the working capital position typical of year-end in the separate annual financial statements of Ebro Foods, S.A., which, as the group's parent company, has the option of financing itself via dividends, among other alternatives.

10. TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables in 2017 and 2016 is as follows:

Thousands of euros	**YE 2017**	**YE 2016**
Trade receivables	9	20
Trade receivables from group companies and associates	5,618	5,145
Sundry receivables	8	8
Receivable from employees	31	26
	5,666	**5,199**

Impairment allowances: The ‘Trade receivables’ balance in the table above is presented net of impairment losses. The Company did not recognize any new impairment losses against its trade receivables in 2017 or 2016 other than the use of 24 thousand euros of existing provisions in 2016. The accumulated balance of impairment allowances was nil at both year-ends.

All of the balances recognized under trade receivables are denominated in euros.

11. CASH AND CASH EQUIVALENTS

Cash equivalents are typically bank deposits with a maturity of three months or less at the time of their acquisition.

There are no restrictions on these balances.

12. CAPITAL AND RESERVES

a) Issued capital: The Company’s share capital consisted of 153,865,392 fully subscribed and paid bearer shares with a par value of 0.60 euros each at both year-ends. The Company's shares are traded on the Spanish stock exchanges. All shares belong to the same class and carry identical rights.

The shareholders with direct or indirect interests of more than 3% in the capital of Ebro Foods, S.A. at December 31, 2017 (2016), based on information furnished by the said shareholders to Spain's securities market regulator, the CNMV, and to Ebro Foods, S.A., are as follows:

- Grupo Tradifín, S.L., which directly holds 12,248,809 (12,248,809) shares, representing a 7.961% interest (7.961%).

- Hercalianz Investing Group, S.L., which directly holds 12,248,809 (12,248,809) shares, representing a 7.961% interest (7.961%).

- Sociedad Anónima Damm: indirect holder, via Corporación Económica Damm, S.A., of 17,705,610 (17,613,610) shares, representing an 11.507% (11.447%) interest.

- Sociedad Estatal de Participaciones Industriales: indirect holder, via Alimentos y Aceites, S.A., of 15,940,377 (15,940,377) shares, representing a 10.36% (10.36%) interest.

- Corporación Financiera Alba, S.A., which directly holds 18,467,963 (15,400,000) shares, representing a 12.003% (10.009%) interest.

- Empresas Comerciales e Industriales Valencianas, S.L., which directly holds 12,042,637 (11,808,970) shares, representing a 7.827% (7.675%) interest.

b) Share premium: The Consolidated Text of the Spanish Corporate Enterprises Act permits the use of the share premium account balance to increase share capital and provides no specific limitation with respect to its availability.

c) Legal reserve: The companies that generate a profit are required to earmark 10% of net profit for the year to a legal reserve until such reserve is equivalent to 20% of share capital. The legal reserve cannot be distributed except in the event of dissolution but it can be used to offset losses insofar as other reserves are not available for this purpose and to increase capital by the amount that exceeds 10% of capital after the increase. The Company had fully endowed its legal reserve at both year-ends.

d) Voluntary reserves: This reserve is unrestricted other than the limitations imposed under prevailing company law.

e) Revaluation reserve, Royal Decree-Law 7/1996: As a result of the asset restatements made in the past by Sociedad General Azucarera de España, S.A. and Puleva S.A. under the scope of Royal Decree-Law 7/1996 of June 7, 1996, the Company recognized the corresponding revaluation reserves in the amount of 21,767 thousand euros; in the wake of the amounts derecognized in 2001 following the split-off of the sugar business and in 2003 following the dissolution of A. E. Gestion de Patrimonio, S.L., the remaining balance stands at 3,169 thousand euros (included under other reserves).

   This balance can be used, without accruing taxes, to offset tax losses accumulated in prior, current and future tax periods and for the purpose of increasing share capital. Since April 1, 2007, this balance can be earmarked to unrestricted reserves to the extent that the monetary gain has been realized.

   The monetary gain is deemed realized in respect of the corresponding depreciation charges recognized or when the restated asset items have been sold or derecognized for accounting purposes. If this balance were used in a manner other than that provided for in Royal Decree-Law 7/1996, it would be taxable.

f) Own shares: 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.

In 2016, the Parent similarly 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 2016, the Company bought back 28,553 shares, sold 2,106 and delivered 26,447 own shares to employees. The Company did not hold any own shares as treasury stock at December 31, 2016.

g) Dividends paid in 2017:

Distribution of the dividends approved at the Annual General Meeting of June 1, 2017 at which the Company's shareholders ratified the motion to pay a cash dividend with a charge against unrestricted reserves and profit for 2016 of 0.57 euros per share, payable in the course of 2017.

The ordinary dividend was paid out in three equal instalments of 0.19 euros per share on April 3, June 30 and October 2, 2017.

13. BANK BORROWINGS

The breakdown of current and non-current bank borrowings (in thousands of euros) at both year-ends:

	YE 2017	YE 2017	YE 2016	YE 2016
	Non-current	**Current**	**Non-current**	**Current**
Bank loans arranged in euros	149,380	30,000	149,117	30,000
Bank loans arranged in US dollars	142,583	-	237,980	-
Credit facilities arranged in euros	-	19,486	-	-
Interest accrued but not due	-	588	-	556
TOTAL	**291,963**	**50,074**	**387,097**	**30,556**

The long-term bank loans denominated in US dollars were taken out to finance the investments in the US businesses. These long-term loans are guaranteed by Group subsidiaries Herba Food, S.L., Herba Ricemills, S.L., Panzani SAS and Riviana Foods Inc. and correspond to:

- The bilateral loan agreement entered into in November 2006 and amended in April 2009, June 2010 and again in May 2015, in an initial amount of 190 million US dollars, reduced to 171 million US dollars in the wake of the last amendment. This loan is repayable in four six-monthly instalments of 42.75 million US dollars starting in May 2020. The annual rate of interest applicable to this dollar-denominated loan is benchmarked against 1-, 3-, 6- or 12-month LIBOR plus a market spread.

- A bilateral loan agreement arranged in June 2015, in the amount of 100 million US dollars, reduced to 80 million US dollars in 2016 as a result of an early repayment of 20 million US dollars, and subsequently cancelled in 2017.

Three new loans were arranged in 2016, all of which are classified as non-current. Specifically, the Group arranged two separate 25 million euro loans on March 30 and another 100 million euro loan on May 30. These loans are denominated in euros and are repayable in a single bullet payment at maturity, on March 29 and 31, 2019 and May 31, 2020, respectively. These loans bear interest at 3-month EURIBOR plus a market spread.

The Company is obliged to comply with a series of covenants, specifically a series of ratios calculated on basis of the consolidated financial statements of the group of which the Company is the parent, throughout the term of these loans. Any breach of these covenants would increase the related borrowing costs and in some cases would trigger an early repayment requirement. The Company was in compliance with all these covenants at both year-ends.

In addition, at year-end 2017, the Company had arranged and guaranteed credit facilities with an aggregate limit of 33 million euros (year-end 2016: 28 million euros), of which 19,486 thousand euros (0 thousand euros) had been drawn down. The average annual rate of interest on these borrowings, excluding the long-term loans, is 3-month EURIBOR plus a market spread of 0.67% (2016: 0.75%) on average.

In addition, the Company has extended sureties and other guarantees to third parties via banks totaling 144,816 thousand euros at year-end 2017 (130,648 thousand euros at year-end 2016) (note 16).

The maturity schedule for bank borrowings (at December 31, 2017):

Due 2018	50,074 thousand euros
Due 2019	50,000 thousand euros
Due 2020	170,672 thousand euros (85,500 thousand US$)
Due 2021	71,291 thousand euros (85,500 thousand US$)

14. NON-CURRENT PROVISIONS

The reconciliation of the Company's provisions at the beginning and end of 2017 and 2016 is as follows:

NON-CURRENT PROVISIONS	Employee benefit obligations			Other provisions for contingencies			
Thousands of euros	Long-service bonuses	Long-term remuneration	Total	Business sale reps & warranties	Tax assessments	Total	**Total**
Closing balance: Dec. 31, 2015	157	2,145	**2,302**	8,740	280	**9,020**	**11,322**
- Additions (reversal of provisions)	25	417	442	2,500	0	2,500	2,942
- Amounts used	-27	-572	-599	0	0	0	-599
Closing balance: Dec. 31, 2016	155	1,990	**2,145**	11,240	280	**11,520**	**13,665**
- Additions (reversal of provisions)	6	917	923	0	3,928	3,928	4,851
- Amounts used	0	-610	-610	0	0	0	-610
Closing balance: Dec 31, 2017	161	2,297	**2,458**	11,240	4,208	**15,448**	**17,906**

Provision for contingencies – Reps and warranties granted in connection with the sales of the sugar and dairy businesses

The provisions recognized to cover the outcome of lawsuits related to the sales of the sugar business (sold in 2009) and the dairy business (sold in 2010) corresponded to the reps and warranties extended to the buyers of these businesses under which an unfavorable ruling in these lawsuits would have the effect of reducing the sale-purchase prices for these business. Additions to this provision (or reversals thereof) imply an adjustment to the sale price and are accordingly recognized as a reduction (or increase) in profit in the year in which they are recognized.

These lawsuits had been substantially resolved by year-end 2013, so that the related provision stood at zero. However, in the course of 2014 a number of smaller-sized disputes came to light. Management determined it was necessary to recognize a provision in respect of certain of these cases in light of the possible outflow of resources in the future.

In addition, in August 2014, Grupo Lactalis Iberia, S.A. passed the proposed ruling ("Proposed Ruling") in respect of the disciplinary proceedings initiated by the investigative unit of Spain's anti-trust authority, the CNMC, against Spain's leading dairy transformation companies, including Puleva Food, S.L., in connection with alleged anti-competitive practices between 2003 and 2013, on to Ebro Foods, S.A. Ebro Foods, S.A. sold Puleva Food, S.L. to Grupo Lactalis Iberia, S.A. in 2010; the related share purchase agreement (the "SPA") included a liability regime covering future contingencies. Under this regime, Ebro Foods, S.A., as seller, could be held liable for any fine imposed on Puleva Food, S.L. with respect to developments taking place prior to the sale.

The Proposed Ruling qualifies the conduct investigated as a very serious infraction of article 62.4.a) of Spain's Anti-Trust Act and recommends that the Board of the CNMC hand down the fine contemplated in article 63 of this same piece of legislation. Grupo Lactalis Iberia, S.A. and Puleva Food, S.L., in keeping with the procedure agreed upon in the SPA, duly presented statements outlining their pleas against the Proposed Ruling, categorically denying the conduct charged therein.

The CNMC ruling issued by its Board on February 26, 2015 was received on March 3, 2015. It hands down a fine against Puleva Food, S.L. of 10,270 thousand euros. Based on the information currently available, Ebro Foods, S.A. believes it has solid arguments for defending its position in these lawsuits and so stated in the appeal lodged before the corresponding judicial bodies in September 2015. However, it continues to classify the likelihood of an outflow of resources embodying economic benefits as probable; accordingly, the related provision recognized in the 2016 and 2017 financial statements is unchanged with respect to the amount provided for in 2014.

In addition, in 2016, the Group recognized a provision of 2,500 thousand euros to cover the litigation risk associated with the tax assessments signed under protest in 2016 in the wake of an inspection of the Puleva Group in respect of the years during which it still belonged to Ebro's consolidated tax group.

<u>Provision for contingencies – Tax assessments</u>

The last tax inspection of the Spanish tax group in respect of 2008 to 2011, both inclusive, concluded in May 2014. All of the assessments were paid (using financial criteria), including those signed under protest (albeit not the related fines). The assessments signed under protest have been appealed.

In addition, the Company signed assessments handed down in connection with the deduction accredited and applied as warranted in relation to the 2008 Volvo Ocean Race under protest. The amount contested, which applies from 2008 to 2010, totals 3,021 thousand euros. In this case, the liability had not been provided for in prior years as the assessments had been appealed and the likelihood of winning this claim was deemed high due to the precedent set by National High Court rulings in favor of other taxpayers that had brought identical cases.

However, in July 2017, the Supreme Court ruled against the taxpayer in a very similar case. Therefore, the risk that the outcome of this process will not favor the tax group was reclassified from remote to probable and is now expected to possibly entail an outflow of resources. As a result, in 2017, the Group recognized an impairment provision of 3,928 thousand euros to cover this potential liability in full. The provision has been recognized with a charge against corporate income tax expense in the income statement (note 15).

Provision for long-service bonuses

Some Ebro Foods, S.A. employees are entitled to receive long-service bonuses after 25 to 40 years' service from a fund managed internally by the Company. The provision recognized for long-service bonuses at year-end 2017 in the amount of 161 thousand euros (year-end 2016: 155 thousand euros) represents the present value, calculated using actuarial studies performed by independent experts, of the potential future payments to these employees.

The key assumptions used in the most recent actuarial study with effect as of each reporting date are as follows:

a) A discount rate of 1.23% (2016: 1.19%)
b) Wage increases: compound annual growth of 3% (2016: 3%)
c) Mortality and survival tables: PERM/F 2000 tables (new policies)

Provision for long-term remuneration to executives

Refer to note 18. The provisions used in 2017 and 2016 correspond to the 2013-2015 bonus plan (settlement of which finalized in 2017). The provisions recognized in 2016 and 2017 correspond to the new 2016-2018 bonus plan to be settled between 2018 and 2020.

15. TAX MATTERS

The breakdown of taxes payable and receivable at year-end is as follows:

Thousands of euros	YE 2017	YE 2016
Current		
Current tax assets	19,278	6,403
Other amounts receivable from public authorities	947	808
Current tax liabilities	0	0
Other payables to public authorities	-507	-465
	19,718	6,746
Non-current		
Deferred tax assets	10,116	9,796
Deferred tax liabilities	-45,304	-41,683
	-35,188	-31,887

Under prevailing legislation, tax returns may not be considered final until either they have been inspected by the tax authorities or until the inspection period has prescribed.

In May 2017, the tax authorities embarked on an inspection of fiscal years 2012 to 2015, both inclusive, which they are expected to finalize during the first half of 2018. The Company has its books open to inspection since 2016 in respect of all applicable taxes.

The Company's directors believe there is no need to provide for potential additional tax liabilities that could arise from differing interpretations of tax regulations.

15.1. The tax group that files its return under the consolidated tax regime is made up of:

Ebro Foods, S.A. (parent of the tax group), Ebro Financial Corporate Services, S.L., Network Meal Solutions, S.L., Fincas e Inversiones Ebro, S.A., Dosbio 2010, S.L., Arotz Foods, S.A., Herba Foods, S.L., Herba Ricemills, S.L and its subsidiaries, Herba Nutrición, S.L, Fallera Nutrición, S.L., Española de I+D, S.A. and Jiloca, S.A.

15.2 The reconciliation of net income and expense for both reporting periods to taxable income (tax loss) is set forth below:

Tax expense	**2017**		**2016**	
Thousands of euros	**Accounting**	**Tax**	**Accounting**	**Tax**
Profit before tax from continuing operations	**58,835**	58,835	**15,078**	15,078
Permanent differences	(72,596)	(72,596)	(20,687)	(20,687)
Permanent differences arising from fiscal consolidation adjustments	0	0	0	0
Adjusted accounting profit	**(13,761)**	**(13,761)**	**(5,609)**	**(5,609)**
Temporary differences		(18,528)		(17,194)
Temporary differences arising from fiscal consolidation adjustments		0		0
Tax group tax losses for offset		4,004		(3,183)
Taxable income (tax loss) of the Company	**(13,761)**	**(28,285)**	**(5,609)**	**(25,986)**
Tax calculated at statutory rate: 25%	(3,440)	(7,071)	(1,402)	(6,497)
Tax credits	0	0	(638)	(638)
Tax expense/(income) for the year	**(3,440)**	**(7,071)**	**(2,040)**	**(7,135)**
Restatement of prior-year's income tax	246	0	34	0
Tax assessments (note 14)	3,928		0	
Change in deferred tax assets and liabilities	0		3,702	
Effect of change in tax rate	0		0	
TOTAL INCOME TAX: Expense (income)	**734**	**(7,071)**	**1,696**	**(7,135)**

The reconciliation of income tax payable/(refundable) by/to Ebro Foods, S.A. and total income tax payable/(refundable) as a result of application of the consolidated tax regime is provided below:

	2017	2016
Tax payable (refundable) corresponding to Ebro Foods, S.A.	(7,071)	(7,134)
Payments made on account during the year	(13,633)	(5,927)
Tax withholdings	(51)	(56)
Tax refundable pending collection from prior years	(5,569)	(1,405)
Tax payable (refundable) corresponding to the other companies in the tax	7,046	8,119
Tax group tax payable (receivable)	**(19,278)**	**(6,403)**

15.3 The reconciliation of tax expense (income) to the result of multiplying total recognized income and expense, as opposed to profit or loss as per the income statement, by applicable tax rates, is as follows:

Thousands of euros	Income statement	
	2017	**2016**
Profit before tax from continuing operations	58,835	15,078
Statutory tax rate	25%	25%
Theoretical tax expense	**14,709**	**3,770**
Effect of:		
Non-deductible expenses	143	224
Non-taxable income	0	(1,783)
Dividends between tax group companies	(5,560)	(3,106)
Dividends within parent company group	(12,726)	(502)
Deductions and other items	(6)	(643)
	(3,440)	**(2,040)**
Breakdown of tax expense (income)		
Current	(7,071)	(7,134)
Deferred	3,631	5,094
Effective tax expense (income)	**(3,440)**	**(2,040)**

(Thousands of euros)

15.4 The breakdown of the temporary differences arising at Ebro Foods, S.A. in 2017 and 2016 is as follows:

TEMPORARY DIFFERENCES - Increases	2017	2016
Endowment provision to long-term allowance	963	464
Endowment provision to permanence award	6	25
Evaluative reverse correction in group societies	5,349	5,138
Brand tax amortization	394	393
Total Increases	**6,712**	**6,020**
TEMPORARY DIFFERENCES - Decreases	**2017**	**2016**
Tax amortization expense of the merge goodwill	2,007	2,007
Provision application to long-term payments	609	572
Temporal difference for amortization of the merge goodwill	20,227	20,227
Evaluative reverse correction in group societies	2,388	0
Payment for permanent award	0	27
Application amortization 30% no deductible	9	21
Finantial assets available for sales	0	360
Total Decreases	**25,240**	**23,214**
Total net income on temporal differences	**(18,528)**	**(17,194)**

15.5 The breakdown of the permanent differences differences arising at Ebro Foods, S.A. in 2017 and 2016 is as follows:

PERMANENT DIFFERENCES - Increases	2017	2016
Rises:		
Donations	550	493
Endowment reverse correction in group societies	0	381
Other non-deductible expenses	22	23
Total increases	**572**	**897**
PERMANENT DIFFERENCES - Decreases		
Dividend adjustments of subsidiaries of the tax group	22,240	12,423
Dividend adjustments of other group societies	50,906	2,009
Amortization of goodwill for tax purposes	22	22
Evaluative reverse correction in group societies	0	7,130
Total decreases	**73,168**	**21,584**
Total net income in permanent differences	**(72,596)**	**(20,687)**

15.6 Ebro Foods, S.A. did not utilize any tax credits in 2017 due to the tax loss generated by the tax group. In 2017, it generated 194 thousand euros of tax credits, mainly corresponding to donations, for utilization in future years, in addition to the 6.9 million euros generated and unused in prior years (mainly deductions generated by the reinvestment of extraordinary gains).

The amounts of proceeds reinvested by the Spanish tax group in prior years entitling it to tax credits were 33.1, 5.0, 115.3, 57.3, 1.5, 16.2, 11.2 and 76.3 million euros between 2013 and 2006, respectively. These reinvestments satisfied all of the requirements for qualifying for the related tax relief.

15.7 A reconciliation of Ebro Foods, S.A.'s deferred tax assets and liabilities is provided below:

Thousands of euros	YE 2015	Additions	Amounts derecognized	Restatements and other additions /derecognitions	Ye 2016	Additions	Amounts derecognized	Restatements and other additions/ derecognitions	YE 207
Deferred tax assets									
- Goodwill	3,613		-502		3,111		-502		2,609
- Intangible assets: Trademarks	1,397				1,397				1,397
- Property, plant and equipment: Land	108				108				108
- Property, plant and equipment: Depreciation	21		-5	-2	14		-2		12
- Financial assets	90		-90		0				0
- Long-term remuneration obligations	673	12	-39	-5	641	240	-152		729
- Provisions for contingencies	310				310				310
- Provisions for long-service bonuses	39		-1		38	2			40
- Impairment provisions: investments in group companies	0			2,720	2,720		-597		2,123
- Unused tax losses	2,241		-796	12	1,457	1,001		330	2,788
	8,492	**12**	**-1,433**	**2,725**	**9,796**	**1,243**	**-1,253**	**330**	**10,116**
Deferred tax liabilities									
- Amortization of goodwill for tax purposes	-31,100	-5,057			-36,157	-5,056			-41,213
- Amortization of trademarks for tax purposes	-158		99	2	-57	98			41
- Accrual of gains on brand sales	2			-2	0				0
- Deferral of gains by tax group	-331				-331				-331
- Fair value of financial instruments	-90		90		0				0
- Impairment provisions: investments in group companies	0		1,284	-6,422	-5,138		1,337		-3,801
	-31,677	**-5,057**	**1,473**	**-6,422**	**-41,683**	**-4,958**	**1,337**	**0**	**-45,304**
Total deferred taxes, net	**-23,185**	**-5,045**	**40**	**-3,697**	**-31,887**	**-3,715**	**84**	**330**	**-35,188**

Spanish Royal Decree-Law 3/2016 was published in the official state journal on December 3, 2016 enacting tax measures designed to consolidate the public finances and urgent welfare measures. The purpose of this piece of legislation was to incorporate certain measures aimed at reducing the public deficit and correcting economic imbalances into Spanish legislation.

One of the measures taken in the corporate income tax arena affects the inclusion of the reversal of impairment losses on investments in subsidiaries that were tax deductible.

(Thousands of euros)

Specifically, the impairment losses on investments that were deductible for tax purposes until 2013 and are still pending reversal must be reversed on an accelerated basis by including them, at a minimum, in taxable income in equal parts in each of the first five tax periods commencing on January 1, 2016.

The restatements recognized in 2016, shown in the table above, are mainly a consequence of this new regime. The tax losses originated by equity investments in subsidiaries will now only be tax deductible if a subsidiary is wound up or liquidated.

16. GUARANTEES EXTENDED

The Company had extended the following guarantees in the form of bank sureties at both reporting dates:

	YE 2017	YE 2016
Guarantees extended via banks		
Provided to courts and other bodies in relation to claims and tax deferrals	14,059	14,059
Provided to third parties to guarantee fulfilment of obligations arising in the ordinary course of business	770	770
Guarantees awarded directly by Ebro Foods, S.A.		
Guarantees given to banks to secure other companies' obligations	129,987	115,819

The guarantees extended to banks to secure other companies' obligations correspond mainly to the guarantees given by Ebro Foods, S.A. to its subsidiaries Herba Foods, S.L. (100%-directly owned), Ebro India, Ltda. (100%-indirectly owned), Ebro Financial Corporate Services, S.L. (100%-directly owned), Mundiriz, Ltda. (100%-indirectly owned) and Panzani, SAS (100%-directly owned) to secure their short- and medium-term credit facilities.

17. BALANCES WITH GROUP COMPANIES AND ASSOCIATES

Note 8 lists Ebro Foods, S.A.'s subsidiaries and associates. Transactions with associates did not result in material balances at either year-end.

The main transactions performed by the Company with group companies and associates in 2017 and 2016 are shown below:

(Thousands of euros)

	2017		2016	
	Group companies	Associates	Group companies	Associates
External services	(578)	0	(600)	0
Employee benefits expense	0	0	0	0
Finance costs	(4,866)	0	(4,152)	0
Total purchases and expenses	**(5,444)**	**0**	**(4,752)**	**0**
Services rendered and other income	8,465	0	8,450	0
Finance income	11	0	2	0
Dividend income received	72,396	750	13,923	509
Total revenue and income	**80,872**	**750**	**22,375**	**509**

The resulting balances between Ebro Foods, S.A. and its group companies and associates at the respective year-ends are as follows:

AT DECEMBER 31, 2017						
BALANCES WITH SUBSIDIARIES AND ASSOCIATES	Non-current loans	Due from companies	Current loans	Balances payable		Due to companies
				Non-current	Current	
Panzani, SAS		523				
Herba Foods, S.L.		104				
Arotz Foods, S.A.		97		(29,363)		(15)
Ebro de Costa Rica, S.L.				(14,545)		
Ebro Riviana de Guatemala, S.L.				(9,330)		
Herba Ricemills, S.L.		2,770			(25,000)	(39)
Riviana Foods (Group)		1,015		(200,389)		(54)
Ebro Financial Corporate Services, S.L.		225		(205,850)	(300)	
Lassie Group (Netherlands)		237				
Jiloca, S.A.		176				
Fundación Ebro Foods					(300)	
Beira Terrace Soc. de Construçoes, Ltda.	2,004					
Sémola, SLR					(4,006)	
Other companies (minor balances)	0	471		0		(4)
	2,004	**5,618**	**0**	**(459,477)**	**(29,606)**	**(112)**

AT DECEMBER 31, 2016						
BALANCES WITH SUBSIDIARIES AND ASSOCIATES	Non-current loans	Due from companies	Current loans	Balances payable		Due to companies
				Non-current	Current	
Panzani, SAS		420				
Herba Foods, S.L.		183				
Arotz Foods, S.A.		112		(29,081)		
New World Pasta, Inc		357		(148,428)		
Ebro de Costa Rica, S.L.				(16,607)		
Ebro Riviana de Guatemala, S.L.				(10,476)		
Dosbio 2010, S.L.						(560)
Herba Ricemills, S.L.		2,544				(213)
Riviana Foods, Inc		560				(64)
Ebro Financial Corporate Services, S.L.		220		(203,350)		12
Lassie Group (Netherlands)		252				
Jiloca, S.A.		163				
Fundación Ebro Foods					(299)	
Beira Terrace Soc. de Construçoes, Ltda.	293					
Other companies (minor balances)	0	334		0	0	(3)
	293	**5,145**	**0**	**(407,942)**	**(299)**	**(828)**

All of these balances are denominated in euros, other than the balances payable to New World Pasta, Inc., Ebro de Costa Rica, S.L. and Ebro Riviana de Guatemala, S.L. which are denominated in US dollars.

The long-term loans payable do not carry any fixed maturity; accordingly, the Company has classified them as non-current as it does not expect to repay them in the short term. The balance payable to Riviana Foods, Inc. (this balance was payable to New World Pasta, Inc. before the merger) has a face value of 237 million US dollars at year-end 2017 (year-end 2016: 154 million US dollars); this loan is a hedge of an investment in an asset denominated in this same currency (note 9.2.c). It carries interest at 3m LIBOR + 90 basis points.

The Company has a current business account arrangement with most of its subsidiaries under which it guarantees coverage of all of their financing needs and, as required, remuneration of their cash surpluses, all of which at market interest rates.

18. RELATED-PARTY TRANSACTIONS

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. The Company has not extended or received other guarantees in respect of accounts receivable from or payable to its related parties.

The Company did not write down any receivables due from related parties down for impairment in either reporting period. This assessment is undertaken each financial year by examining the financial situation of the related party and the market in which it operates.

18.1 Transactions with significant shareholders (or parties related thereto) of Ebro Foods, S.A. (excluding directors)

Note 12 lists the companies that have a significant equity interest in Ebro Foods, S.A.

There were no transactions between Ebro Foods, S.A. and its significant shareholders other than dividend payments (excluding directors, for whom the related disclosures are provided in note 18.2) in either reporting period.

18.2 Transactions with directors and executives (or parties related thereto) of Ebro Foods, S.A.

Ebro Foods, S.A. realized the following transaction with one of its directors in 2017 and 2016 outside the scope of the dividend and remuneration transactions disclosed in notes 18.3 and 18.7 (amounts in thousands of euros):

Name or company name of director	Relationship	Name or company name of the related party	Ebro Group company with which the transaction was performed	Type of transaction	2017 Amount	2016 Amount
Hernández Callejas, Antonio	Relative	Hernández González, Luis	Ebro Foods, SA	Lease (expense)	41	40
Hernández Callejas, Antonio	Company	Cardenal Ilundain 4, SL	Ebro Foods, SA	Lease (expense)	0	72

18.3 Other transactions with significant shareholders and directors/executives: dividends received from Ebro Foods, S.A.

Against the backdrop of the general dividend policy of Ebro Foods, S.A., the following amounts were paid in each reporting period (expressed in thousands of euros):

Dividends 2017 (2016):

- Dividends paid to significant shareholders: 12,700.22 (16,646)
- Dividends paid to directors and executives: 40,637.25 (31,038)

18.4 Related-party transactions

This note summarizes the transactions performed in 2017 between Ebro Foods, S.A. and "other related parties":

In 2017, under the scope of the general dividend policy of Ebro Foods, S.A., the latter paid "other related parties" (natural person representatives of legal person directors of the Board of Directors of Ebro Foods, S.A.) the sum of 2 thousand euros (2016: nil) in dividends.

18.5 Other disclosures

The next table itemizes the transactions entered into between Ebro Foods, S.A. and Riso Scotti S.p.A. (an associate that is not fully consolidated by the Ebro Group) in 2017 and 2016 (amounts in thousands of euros):

Ebro Group company with which the transaction was performed	Type of transaction	2017 Amount	2016 Amount
Herba Ricemills, SLU	Purchase of goods (finished and in-progress)	176	367
Herba Ricemills, SLU	Services rendered (income)	0	9
Herba Ricemills, SLU	Sale of goods (finished and in-progress)	103	204
Herba Ricemills, SLU	R&D transfers and license agreements	9	0
Herba Ricemills, SLU	Other income	5	0
Mundiriso, SRL	Purchase of goods (finished and in-progress)	185	0

(Thousands of euros)

Mundiriso, SRL	Sale of goods (finished and in-progress)	2,807	0
Arrozeiras Mundiarroz, SA	Purchase of goods (finished and in-progress)	51	0
Herba Ingredients BV	Purchase of goods (finished and in-progress)	59	0
Riceland Magyarorszag, KFT	Purchase of goods (finished and in-progress)	129	0
Ebro Foods, SA	Dividends received	750	509
Ebro Foods, SA	Services rendered (income)	6	0

Ebro Foods, S.A. holds a 40% shareholding in Riso Scotti S.p.A. The investment in this associate is accounted for using the equity method.

Mr. Antonio Hernández Callejas, Chairman of Ebro Foods, S.A., is a director of Riso Scotti, S.p.A.

18.6 Fiduciary duties: conflicts of interest and non-compete duty

In keeping with article 229 of Spain's Corporate Enterprises Act, this section of this note replicates the information provided to the Company by its directors, or by their natural person representatives as warranted, in keeping with their fiduciary duties, regarding their interests and positions held in/at companies with the same, analogous or complementary core business as that of Ebro Foods, S.A., irrespective of whether the former are part of the Ebro Foods Group.

- Grupo Tradifín, S.L.:
  - Direct 50% interest in Instituto Hispánico del Arroz, S.A. Also the CEO.
  - Direct shareholding of 100% in Cabher 96, S.L. Sole director.
- Ms. Blanca Hernández Rodríguez (the natural person who represents Grupo Tradifín, S.L. on the Board of Directors of Ebro Foods, S.A.):
  - Indirect interest in Instituto Hispánico del Arroz, S.A. of 16.625% through the 33.25% interest held directly in Grupo Tradifín, S.L. She does not hold a position at this company.
  - Indirect interest in Cabher 96, S.L. of 33.25% through the 33.25% interest held directly in Grupo Tradifín, S.L. She does not hold any position at this company.
- Hercalianz Investing Group, S.L.:
  - Direct 50% interest in Instituto Hispánico del Arroz, S.A. Also the CEO.

- Mr. Félix Hernández Callejas (the natural person who represents Hercalianz Investing Group, S.L. on the Board of Directors of Ebro Foods, S.A.):

  - Indirect interest of 16.666% in Instituto Hispánico del Arroz, S.A. through the 33.333% interest held directly in Hercalianz Investing Group, S.L. Also the CEO.

- Mr. Antonio Hernández Callejas:

  - Indirect interest of 16.666% in Instituto Hispánico del Arroz, S.A. through the 33.333% interest held directly in Hercalianz Investing Group, S.L. He does not hold a position at this company.

It is additionally noted that Dr. Rudolf-August Oetker, a board member until June 1, 2017, held a direct interest of 12.5% in Dr. August Oetker KG, an investee at which he held the position of Advisory Board Chairman.

The directors of Ebro Foods, S.A. (or their natural person representatives, as warranted) did not perform any transactions with the Company outside of its ordinary course of business or other than on an arm's length basis in either reporting period.

The directors have not informed the Company of any direct or indirect potential conflicts of interest between them or their related parties and the Company other than those disclosed in this note.

18.7 Director and executive remuneration

Director remuneration.- The remuneration accrued by the members of the Board of Directors of Ebro Foods, S.A. totaled 5,528 thousand euros in 2017 (2016: 5,667 thousand euros), broken down as follows (in thousands of euros):

DIRECTOR REMUNERATION AND OTHER BENEFITS	2017	2016
TYPE OF REMUNERATION		
Meeting attendance fees	272	282
Bylaw-stipulated profit-sharing	2,728	2,728
Total director remuneration	**3,000**	**3,010**
Wages, salaries and professional fees	2,528	2,657
Termination and other benefits	0	0
Total executive director remuneration	**2,528**	**2,657**
TOTAL REMUNERATION	**5,528**	**5,667**
OTHER BENEFITS		
Life insurance and post-employment benefits	0	0

The Company's bylaws stipulate remuneration of up to 2.5% of consolidated net profit for the year provided that the required appropriations to the legal reserve have been made and the minimum shareholder dividend established in prevailing legislation has been declared (currently 4% of the par value of the shares).

At a meeting held on February 28, 2018, the Board of Directors resolved, at the recommendation of its Nomination and Remuneration Committee:

(i) to leave the by-law stipulated remuneration unchanged year-on-year, specifically implying submission at the Annual General Meeting of a motion to pay a sum of 2,728 thousand euros, which is equivalent to 1.236% of consolidated profit attributable to equity holders of the parent in 2017 (compared to 1.61% of 2016 profit); and

(ii) to leave attendance fees at 1,600 euros per Board meeting and 800 euros for attendance at the meetings of its various committees.

The individual breakdown of director remuneration earned in 2017 (in thousands of euros) is provided below:

Director	By-law stipulated profit-sharing	Attendance fees	Fixed remuneration for performance of executive duties	Variable remuneration for performance of executive duties	Total payment
Hernández Callejas, Antonio	447	23	1,027	1,501	**2,998**
Carceller Arce, Demetrio	411	30			**441**
Alimentos y Aceites, S.A.	140	18	0	0	**158**
Barreiro Pérez-Pardo, Belén (Director since January 25, 2017)	174	22	0	0	**196**
Castelló Clemente, Fernando	182	29	0	0	**211**
Comenge Sánchez-Real, José Ignacio	178	22	0	0	**200**
Corporación Económica Delta, S.A. (Director since June 28, 2017)	82	10	0	0	**92**
Costa García, Mercedes	181	22	0	0	**203**
Empresas Comerciales e Industriales Valencianas, S.L	140	14	0	0	**154**
Fernández Alonso, Javier (Director since January 25, 2017)	307	22	0	0	**329**
Grupo Tradifín, S.L.	207	29	0	0	**236**
Hercalianz Investing Group, S.L. **(*)**	168	18	0	0	**186**
Oetker, August (Director until June 1, 2017)	58	8	0	0	**66**
Segurado García, José Antonio (Director until February 16, 2017)	53	5	0	0	**58**
TOTAL	**2,728**	**272**	**1,027**	**1,501**	**5,528**

(*) Hercalianz Investing Group, S.L. did not perform either executive or management duties at Ebro Foods, S.A. or at any subsidiary and therefore did not receive any remuneration in this respect. It is categorized as an executive director based on the fact that the natural person representing this entity on the Board of Directors of Ebro Foods, S.A. is an executive at an Ebro Group subsidiary.

The director remuneration itemized in the table above includes the amounts received by the following directors since they became members of the Board of Directors on the dates indicated below:

- Remuneration received by Ms. Belén Barreiro Pérez-Pardo since January 25, 2017.
- Remuneration received by Mr. Javier Fernández Alonso since January 25, 2017.
- Remuneration received by Corporación Económica Delta, S.A. since June 28, 2017.

By the same token, this same table reflects the remuneration received by José Antonio Segurado García and Dr. August Oetker until they ceased to be directors with effect from February 16, 2017 and June 1, 2017, respectively.

Of the total variable remuneration earned by the Chairman of the Board of Directors for performance of executive duties in 2017, 485 thousand euros correspond to the Deferred Annual Bonus Scheme tied to the Group's 2013-2015 Business Plan in respect of 2015. That sum represented up to 50% of the deferred bonus entitlement accrued over the term of the three-year scheme, which was provided for in the 2015 financial statements and settled in 2017.

Elsewhere, in relation to the total remuneration earned by the Chairman of the Board of Directors for the performance of his executive duties in 2017, the 2017 financial statements recognize a provision of 788 thousand euros in respect of the provisional estimate of the amount corresponding to 2017 under the Deferred Annual Bonus Scheme tied to the Group's 2016-2018 Plan, which represents up to 25% of the deferred bonus entitlement expected to be accrued during the three-year period. This figure will be paid in 2019.

These bonus schemes are not tied to Ebro Foods' share price performance nor do they entitle their beneficiaries to the receipt of shares or any rights over such shares.

Elsewhere, none of the members of the Board of Directors benefits from complementary life insurance or pension cover. Moreover, the Company neither extended any form of credit or advances to the members of its Board of Directors nor assumed any obligations on their behalf under guarantees.

Officer remuneration.- A total of 10 people were considered officers of Ebro Foods, S.A. (excluding the Chairman of the Board of Directors) at both year-ends; in 20167 these executives accrued aggregate remuneration (wages and salaries) of 2,219 thousand euros (2,164 thousand euros in 2016).

"Officers" are the professionals responsible for Ebro Foods, S.A.'s most important departments regardless of whether they have special senior management employment agreements with the Company.

In 2017, the team of officers (excluding the Chairman of the Board of Directors) of Ebro Foods, S.A. covered by the Deferred Annual Bonus Scheme tied to the Group's 2013-2015 Business Plan were paid 124 thousand euros corresponding to 2015, a figure representing 50% of the bonuses earned during the three-year term of the scheme that had been provisioned in the 2015 financial statements.

Meanwhile, in relation to the team of officers (excluding the Chairman of the Board of Directors) of Ebro Foods, S.A. covered by the Deferred Annual Bonus Scheme tied to the Group's 2016-2018 Business Plan, the 2017 financial statements recognize a provision of 166 thousand euros in respect of the provisional estimate of the amount corresponding to 2017 under the scheme, which represents up to 25% of the deferred bonus entitlement expected to be accrued during the three-year period. This sum will be paid in 2019, in keeping with the plan rules.

Although two officers' employment contracts include guaranteed payment clauses in the event of dismissal or change of control, those clauses are no longer applicable under the terms governing those same contracts.

Note lastly for the record that Ebro Foods, S.A. has taken out civil liability insurance cover for its directors and officers; these policies cover all of its subsidiaries up to an annual claims cap of 45 million euros. The policies cost 65 thousand euros in 2017 (60 thousand euros in 2016), are effective until April 30, 2018 and are currently in the process of being renewed.

19. OTHER DISCLOSURES

a) Foreign-currency transactions

The Company usually transacts in euros, other than the dollar-denominated borrowing arrangements described in notes 13 and 17.

(Thousands of euros)

b) Workforce structure

2017	At year-end		Average
	Male	Female	Total
Executives	9	3	12
Middle managers	19	10	29
Clerical staff	9	9	19
	37	22	60

As required under article 260 of the Corporate Enterprises Act, the Company hereby discloses that the average number of people employed during the year with a disability of a severity of 33% or higher was one (man) in the 'Clerical staff' category.

2016	At year-end		Average
	Male	Female	Total
Executives	9	3	12
Middle managers	16	11	27
Clerical staff	11	9	20
	36	23	59

c) Audit fees

The fees paid for account auditing and other services to the Company's auditor, Ernst & Young, S.L., and entities related to the latter by means of control, joint ownership or joint management, in 2017 and 2016 were as follows:

- The fees corresponding to auditing services provided in 2017 amounted to 186 (2016: 124) thousand euros; those corresponding to other assurance services amounted to 54 (2016: 91) thousand euros.

- The fees for tax advisory and and/other services totaled 170 (2016: 46) thousand euros.

d) Environmental disclosures

The activities carried on by the various Ebro Foods Group companies require investments to manage and control their environmental risks.

Investments that increase the capacity of their facilities and machinery are capitalized and depreciated on a straight-line basis over their estimated useful life. Ebro Foods, S.A., in its capacity as the group's holding company, does not directly undertake this effort; rather its group companies make and incur the required environmental investments and expenditure.

The work performed on this front in recent years has been very broad but has focused above all on ensuring adequate control of wastewater discharges, combustion gas and dust emissions and inert solid and organic waste and rubbish generation.

The Company's directors believe there are no significant environmental protection or enhancement contingencies and therefore, have not deemed it necessary to record any related provisions.

e) Disclosures regarding average supplier payment terms

The Company paid its suppliers at 26 days on average in 2017 (2016: 21 days).

	2017	2016
	Days	**Days**
Average supplier payment term	26	21
Paid transactions ratio	26	21
Outstanding transactions ratio	99	4
	Thousands of euros	**Thousands of euros**
Total payments made	9,170	12,672
Total payments outstanding	1	60

f) For the purposes of compliance with the obligation stipulated in article 42 bis of Regulation 1065/2007, of July 27, 2007, enacting the general regulations governing tax management and inspections and establishing common procedural rules in respect of tax matters, and in keeping with the terms of article 4.b of the said article, there follows a list of the accounts with foreign financial institutions held by non-resident subsidiaries:

COMPANY	Semola, S.r.l.	Ebro México, S.A.	Ebro México, S.A.	Beira, Ltd (Portugal)
Account particulars	IBAN	SWIFT CODE BCMRMXMM	SWIFT CODE BCMRMXMM	IBAN
Account code	IT39D0350003205000000037267	187408390	187409842	PT50001802310020003728217
Credit institution	Ubi Banco di Brescia SpA	BBVA BANCOMER, S.A.	BBVA BANCOMER, S.A.	SANTANDER TOTTA
Branch	Rome	Mexico City	Mexico City	Lisbon
Country in which account is held	Italy	Mexico	Mexico	Portugal
Date opened	April 2013	Aug 7, 2011	Aug 7, 2012	2001
Balance at Dec. 31 (euros)	74,016.82	197,723.82	240,033.92	871,429.59
Average balance fourth quarter (euros)	82,046.84	298,674.45	248,922.34	875,831.86
% interest	100%	100%	100%	100%
Currency	EUR	MXP	USD	EUR

20. 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.

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.

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.

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.

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 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.

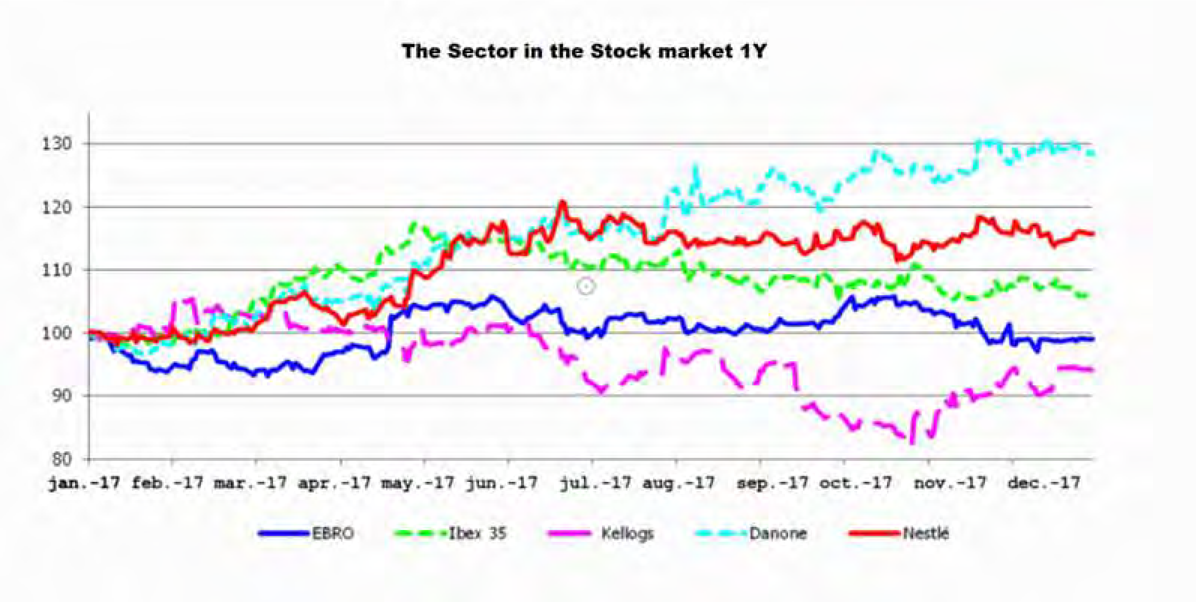
10. OTHER RELEVANT DISCLOSURES

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.

ANNEX 1

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

DETAILS OF ISSUER

YEAR ENDED	31/12/2017

TAX REGISTRATION NUMBER	A47412333

NAME
EBRO FOODS, S.A.

REGISTERED OFFICE
PASEO DE LA CASTELLANA 20 - 3rd AND 4th FLOORS - MADRID

ANNUAL CORPORATE GOVERNANCE REPORT

OF LISTED COMPANIES

A OWNERSHIP STRUCTURE

A.1 Complete the following table on the capital of the company:

Date latest modification	Capital (€)	Number of shares	Number of voting rights
11/06/2002	92,319,235.20	153,865,392	153,865,392

Indicate whether there are different classes of shares with different associated rights:

YES ☐ NO ☒

A.2 Give details on the direct and indirect holders of significant interests in your company at year-end, excluding directors:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights	Interest / total voting rights (%)
SOCIEDAD ANÓNIMA DAMM	0	17,705,610	11.51%
CORPORACIÓN FINANCIERA ALBA, S.A.	18,467,963	0	12.00%
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES	0	15,940,377	10.36%

Name of indirect holder of the interest	Through: Name of direct holder of the interest	Number of voting rights
SOCIEDAD ANÓNIMA DAMM	CORPORACIÓN ECONÓMICA DELTA, S.A.	17,705,610
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES	ALIMENTOS Y ACEITES, S.A.	15,940,377

Indicate the principal movements in the shareholding structure during the year:

A.3 Complete the following tables on board members with voting rights in the company:

Name of director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights held
ANTONIO HERNÁNDEZ CALLEJAS	30	68,006	0.04%
FERNANDO CASTELLÓ CLEMENTE	2,307,828	0	1.50%
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	3,030	4,500,000	2.99%
ALIMENTOS Y ACEITES, S.A.	15,940,377	0	10.36%
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.U.	12,042,637	0	7.83%
GRUPO TRADIFÍN, S.L.	12,248,809	0	7.96%
HERCALIANZ INVESTING GROUP, S.L.	12,248,809	0	7.96%
BELÉN BARREIRO PÉREZ-PARDO	10	0	0.00%
CORPORACIÓN ECONÓMICA DELTA, S.A.	17,705,610	0	11.51%

Name of indirect holder of the interest	Through: Name of direct holder of the interest	Number of direct voting rights
ANTONIO HERNÁNDEZ CALLEJAS	ANTONIO HERNÁNDEZ GONZÁLEZ	30,873
ANTONIO HERNÁNDEZ CALLEJAS	LUIS HERNÁNDEZ GONZÁLEZ	37,133
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	LA FUENTE SALADA, S.L.	4,600,000

Total % of voting rights held by board members	50.15%

Complete the following tables on board members with stock options in the company:

A.4 Indicate family, commercial, contractual or corporate relationships among significant shareholders known to the company, if any, except any that are insignificant and those deriving from ordinary commercial business:

Name of related parties
SOCIEDAD ANÓNIMA DAMM
CORPORACIÓN ECONÓMICA DELTA, S.A.

Type of relationship: Corporate
Brief description:
Sociedad Anónima Damm holds a direct interest of 99.99% in Corporación Económica Delta, S.A.

Name of related parties
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES
ALIMENTOS Y ACEITES, S.A.

Type of relationship: Corporate
Brief description:
Sociedad Estatal de Participaciones Industriales (SEPI) holds a direct interest of 91.9625% in Alimentos y Aceites, S.A.

A.5 Describe the commercial, contractual or corporate relationships between significant shareholders and the company and/or its group, if any, except any that are insignificant and those deriving from ordinary commercial business:

Name of related parties
SOCIEDAD ANÓNIMA DAMM
HERBA RICEMILLS, S.L.U.

Type of relationship: Commercial
Brief description:
During 2017, Herba Ricemills, S.L.U., a subsidiary of the Ebro Foods Group, sold rice and rice by-products to two subsidiaries of the significant shareholder Sociedad Anónima Damm on arm's length terms.

See section D.2 of this Report.

A.6 State whether the company has been notified of any shareholders' agreements that may affect it pursuant to sections 530 and 531 of the Corporate Enterprises Act. If any, describe them briefly and list the shareholders bound by the agreement:

YES ☐ NO ☒

Indicate and describe any concerted actions among company shareholders of which the company is aware:

YES ☐ NO ☒

Expressly indicate any change or break-up of those agreements or concerted actions, if any, that has taken place during the year.

A.7 Indicate any individuals or entities that exercise or may exercise control over the company in pursuance of section 4 of the Securities Market Act and identify it/them if appropriate:

YES ☐ NO ☒

Comments

A.8 Complete the following tables on the company's treasury stock:

At year-end:

Number of direct shares	Number of indirect shares (*)	Treasury stock/capital (%)
0	0	0.00%

(*) Through:

Describe any significant variations during the year, according to the provisions of Royal Decree 1362/2007:

Explain the significant variations

A.9. Indicate the term and conditions of the authorisation granted by the General Meeting to the Board to buy or sell own shares

The Annual General Meeting of Shareholders held on second call on 3 June 2015 resolved, under item twelve on the agenda, to authorise the Board of Directors to buy back own shares and reduce the company's capital and to authorise subsidiaries to acquire shares in the parent company, by purchase or on any other payment basis, subject to the limits and other requisites stipulated in law.

a. Conditions of the authorisation

To authorise the board of directors, with the power to delegate, to buy back shares in Ebro Foods, S.A., directly or through its subsidiaries, by purchase, swap or under any other title and on one or several occasions, on the terms and conditions established in sections 146 et seq and sections 509 et seq of the Corporate Enterprises Act, and the following conditions::

- The par value of the shares purchased directly or indirectly, together with those already held by the company or its subsidiaries, shall not exceed 10% of the subscribed capital.

- The buy-back, when added to the shares previously acquired by the company, or any person acting in his own name but on behalf of the company, and held as treasury stock, shall not have the effect of reducing equity to below the amount of the capital plus the legal or restricted statutory reserves. For this purpose, equity shall be the amount considered as such according to the principles for drawing up the annual accounts, less the amount of gains attributed directly thereto, plus the amount of uncalled subscribed capital and the par value and share premium of the subscribed capital recognised in liabilities.

- The shares thus acquired shall be fully paid up.

- The cap and floor values for buy-back shall be the market value of the shares on an official secondary market at the date of buy-back and a value equivalent to the par value of the own equity instruments acquired, respectively.

b. Contents of the authorisation

- To authorise the Board, by direct resolution or delegation to the Executive Committee, or by delegation to such person or persons as the Board may authorise for this purpose, to buy back own shares to hold them in its treasury stock, dispose of them or, as the case may be, put a motion to the General Meeting for their redemption, within the legal limits and complying with the conditions established in this resolution.

This authorisation is also extended to the possibility of buying back own shares for delivery, on one or several occasions, to the company or group employees, directly or following exercise of their option rights, pursuant to section 146.1(a), third paragraph, of the Corporate Enterprises Act..

It is also extended to acquisitions of shares in Ebro Foods, S.A. by its subsidiaries.

- To authorise the Board to reduce the capital in order to redeem the own equity instruments purchased by the company or other companies in its group against the capital (for their par value) and unrestricted reserves (for the cost of the acquisition in excess of that par value), by such amounts as it may deem fit from time to time and up to the maximum own shares held at any time.

- To delegate to the board to implement the aforesaid resolution to reduce the capital, which it may do on one or several occasions or declare it null and void, within a period not exceeding 5 years from the date of this General Meeting (3 June 2015), taking such actions for this purpose as may be necessary or required by law.

The Board is especially authorised so that it may, within the times and limits indicated in this resolution, proceed to: (i) make or declare void the reduction of capital, naming if appropriate the specific date(s) of the transactions, taking account of any internal or external factors that may influence this decision; (ii) specify in each case the amount by which the capital is reduced; (iii) determine the destination of the amount of the reduction of capital; (iv) in each case adjust Articles 6 ("Capital") and 7 ("Shares") of the Articles of Association to reflect each new amount of capital and new number of shares; (v) apply in each case for delisting of the redeemed shares; and (vi) in general adopt such resolutions as may be considered necessary for redemption and the consequent reduction of capital, designating who is to put it on record.

c. Term of the authorisation

The authorisation contemplated in this resolution is granted for a maximum of five years from the date of the General Meeting (3 June 2015) and covers all transactions in own equity instrument made hereunder, without requiring reiteration for each acquisition made. It also covers any provisions or earmarking of reserves made in accordance with the Corporate Enterprise Act.

The resolutions adopted at the Annual General Meeting of 3 June 2015 regarding treasury stock, reduction of capital and delegation to the Board rendered void in the unused amount those adopted in this regard at the Annual General Meeting held on 15 June 2011. They remain in force, not having been since revoked.

A.9.bis. Estimated free float:

	%
Estimated free float	37.85

A.10 Indicate any constraints on the transferability of shares and/or any restrictions on voting rights. In particular, indicate the existence of any constraint or limitation that may hamper takeover of the company through the acquisition of its shares on the market.

YES ☐ NO ☒

A.11 Indicate whether the General Meeting has resolved to apply the breakthrough rule against a takeover bid, under Act 6/2007:

YES ☐ NO ☒

If so, explain the measures approved and the terms on which the restrictions will become ineffective:

A.12 State whether the company has issued any shares that are not traded on an EU regulated market.

YES ☐ NO ☒

If appropriate, indicate the different classes of shares and the rights and obligations conferred for each class.

B. GENERAL MEETING

B.1 Indicate whether there are any differences between the quorums established for General Meetings and the minimums stipulated in the Corporate Enterprises Act and, if any, explain.

YES ☐ NO ☒

B.2 Indicate whether there are any differences in respect of the system stipulated in the Corporate Enterprises Act for adopting corporate resolutions and, if any, explain.

YES ☐ NO ☒

What differences exist in respect of the system stipulated in the Corporate Enterprises Act?

B.3 Indicate the rules for alteration of the company's articles of association. In particular, indicate the majorities stipulated for altering the articles of association and the rules, if any, protecting shareholders' rights in any alteration of the articles.

There are no requirements for altering the Articles of Association other than those stipulated in the Corporate Enterprises Act.

B.4 Give details of attendance of general meetings held during the year of this report and the previous year:

	Details of Attendance				
Date General Meeting	% in person	% by proxy	% distance voting		Total
			Electronic vote	Others	
01/06/2016	19.94%	55.85%	0.00%	0.00%	75.79%
01/06/2017	20.68%	44.90%	0.00%	11.87%	77.45%

B.5 Are any restrictions are established in the articles of association requiring a minimum number of shares to attend general meetings?

YES ☐ NO ☒

B.6 Repealed.

B.7 Indicate the address and access to the company's website and where to find information on corporate governance and other information on general meetings that must be made available to shareholders through the company's website.

The corporate website of Ebro Foods (http://www.ebrofoods.es/en/) is set up as a vehicle of information, continuously and permanently updated for shareholders, investors and markets in general.

In this respect, the home page includes a specific section called "Information for shareholders and investors", which contains all the information required under the applicable legal provisions.

Pursuant to current legislation, this section includes the chapter on Corporate Governance at the following address:

http://www.ebrofoods.es/en/information-for-shareholders-and-investors/corporate-governance/regulations-of-the-general-meeting/

That section includes all the information that the company makes available to shareholders for general meetings, specifically at http://www.ebrofoods.es/en/information-for-shareholders-and-investors/corporate-governance/general-meeting-of-shareholders-exercise-of-the-right-to-information/ and http://www.ebrofoods.es/en/information-for-shareholders-and-investors/corporate-governance/general-shareholders-meeting-2017/.There is also a direct link to the General Meeting of this year from the home page (http://www.ebrofoods.es/en/).

The Corporate Governance chapter is structured in the following sub-sections:

- Regulations of the General Meeting
- General Meeting of Shareholders: exercise of the right to information
- General Shareholders' Meeting
- Board of Directors
- Regulations of the Board
- Annual Corporate Governance Report
- Remuneration of Directors
- Board Committees
- Internal Code of Market Conduct
- Shareholders' Forum

The contents of this chapter are structured and hierarchical, with a concise, explanatory title, to permit rapid, direct access to each section in accordance with legal recommendations, at less than three clicks from the home page.

All these sections have been designed and prepared according to the principle of easy access, aiming to enable fast location and download of the required information.

The corporate website offers all the information in this section in Spanish and English.

C. MANAGEMENT STRUCTURE OF THE COMPANY

C.1 Board of Directors

C.1.1 State the maximum and minimum numbers of directors stipulated in the articles of association:

Maximum number of directors	15
Minimum number of directors	7

C.1.2 Give details of the board members:

Name of director	Representative	Category of director	Position on Board	Date first appointment	Date latest appointment	Election procedure
DEMETRIO CARCELLER ARCE		Proprietary	VICE-CHAIRMAN	01/06/2010	04/06/2014	RESOLUTION PASSED AT AGM
ANTONIO HERNÁNDEZ CALLEJAS		Executive	CHAIRMAN	24/01/2002	04/06/2014	RESOLUTION PASSED AT AGM
FERNANDO CASTELLÓ CLEMENTE		Independent	DIRECTOR	29/05/2012	04/06/2014	RESOLUTION PASSED AT AGM
MERCEDES COSTA GARCÍA		Independent	DIRECTOR	27/07/2016	01/06/2017	RESOLUTION PASSED AT AGM
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL		Independent	LEAD INDEPENDENT DIRECTOR	29/05/2012	04/06/2014	RESOLUTION PASSED AT AGM
ALIMENTOS Y ACEITES, S.A.	CONCEPCIÓN ORDÍZ FUERTES	Proprietary	DIRECTOR	23/07/2004	04/06/2014	RESOLUTION PASSED AT AGM
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.U.	JAVIER GÓMEZ-TRENOR VERGÉS	Proprietary	DIRECTOR	18/12/2013	04/06/2014	RESOLUTION PASSED AT AGM
GRUPO TRADIFÍN, S.L.	MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	Proprietary	DIRECTOR	21/12/2016	01/06/2017	RESOLUTION PASSED AT AGM

HERCALIANZ INVESTING GROUP, S.A.	FÉLIX HERNÁNDEZ CALLEJAS	Executive	DIRECTOR	21/12/2016	01/06/2017	RESOLUTION PASSED AT AGM
BELÉN BARREIRO PÉREZ-PARDO		Independent	DIRECTOR	25/01/2017	01/06/2017	RESOLUTION PASSED AT AGM
JAVIER FERNÁNDEZ ALONSO		Proprietary	DIRECTOR	25/01/2017	01/06/2017	RESOLUTION PASSED AT AGM
CORPORACIÓN ECONÓMICA DELTA, S.A.	MARÍA CARCELLER ARCE	Proprietary	DIRECTOR	28/06/2017	28/06/2017	COOPTATION

Total Number of Directors	12

Indicate any retirements from the board during the reporting period:

Name of director	Category of director at retirement	Date of retirement
JOSÉ ANTONIO SEGURADO GARCÍA	Independent	16/02/2017
RUDOLF-AUGUST OETKER	Proprietary	01/06/2017

C.1.3 Complete the following tables on the types of board members:

EXECUTIVE DIRECTORS

Name of Director	Position in company's organisation
ANTONIO HERNÁNDEZ CALLEJAS	CHAIRMAN
HERCALIANZ INVESTING GROUP, S.A.	NO POSITION HELD IN THE COMPANY'S ORGANISATION. SEE EXPLANATORY NOTE ONE, SECTION H.

Total number of executive directors	2
% of board	16.67%

NON-EXECUTIVE PROPRIETARY DIRECTORS

Name of Director	Name of significant shareholder represented or that proposed appointment
DEMETRIO CARCELLER ARCE	SOCIEDAD ANÓNIMA DAMM
ALIMENTOS Y ACEITES, S.A.	SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.	EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.
GRUPO TRADIFÍN, S.L.	GRUPO TRADIFÍN, S.L.
CORPORACIÓN ECONÓMICA DELTA, S.A.	SOCIEDAD ANÓNIMA DAMM
JAVIER FERNÁNDEZ ALONSO	CORPORACIÓN FINANCIERA ALBA, S.A.

Total number of proprietary directors	6
% of board	50.00%

NON-EXECUTIVE INDEPENDENT DIRECTORS

Name of Director
FERNANDO CASTELLÓ CLEMENTE

Profile:

Born in Mollerusa (Lleida). Industrial Engineer and MBA (IESE). Lecturer at the School of Engineers and Architects of Fribourg (Switzerland). Has held several important executive and management positions in companies operating in the dairy sector and has extensive experience in the sector. Currently Vice-Chairman of Merchpensión, S.A. and on the board of other consultancy and financial services companies.

Name of Director
MERCEDES COSTA GARCÍA

Profile:

Born in Lérida. Law graduate from Central University of Barcelona and Master's Degree in Corporate Law from the IE Business School. Extensive professional experience as a commercial lawyer at the José Mario Armero law firm, lecturer and researcher in the entire negotiation process. Currently Manager of the Negotiation and Mediation Centre and lecturer in negotiation for master programmes, advanced courses and executive education programmes at the IE Business School of Madrid, in on-site and on-line courses. Also Director of the Negotiation Forum (*Foro Negocia*) and Member of the Good Governance Committee of the IE Business School.

Name of Director
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL

Profile:

Born in San Sebastián. Economist and graduate in International Banking. Extensive experience in the financial sector, director and executive positions in several financial institutions and insurance companies, such as Banco Hispano Americano, Mutua Madrileña and Axa Winterthur, among others. Chairman of Rexam Ibérica and Arbitrajes e Inversiones S.L.

Name of Director
BELÉN BARREIRO PÉREZ-PARDO

Profile:

Born in Madrid. PhD in Political Science, Sociology and Social Anthropology from the Autonomous University of Madrid and Master in Social Sciences from the Juan March Institute of Studies and Research. Over twenty years' experience in scientific analysis of society and counselling on public opinion research. Author of numerous books and academic articles, and visiting lecturer at several universities. Member of the Advisory Board of the Spanish Association of Foundations and founder of MyWord.

Total number of independent directors	4
% of board	33.33%

State whether any director qualified as independent receives from the company or any other company in the same group any sum or gain other than directors' emoluments, or has or has had a business relationship with the company or any other company in its group during the past year, in their own name or as significant shareholder, director or senior executive of a company which has or has had such a relationship.

None of the independent directors is in any of these circumstances.

If appropriate, include a reasoned statement by the board explaining why it considers that the director in question can perform their duties as an independent director.

OTHER NON-EXECUTIVE DIRECTORS

Name any other non-executive directors and explain why they cannot be considered proprietary or independent directors and their relationships, with the company or its executives or with the shareholders:

Indicate any variations during the year in the type of each director:

C.1.4 Complete the following table with details of the number of female directors over the past 4 years and the type of female directors:

	Number of female directors				Female directors / total directors of each type (%)			
	2017	**2016**	**2015**	**2014**	**2017**	**2016**	**2015**	**2014**
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	3	2	2	2	50.00%	33.33%	28.57%	28.57%
Independent	2	1	0	0	50.00%	25.00%	0.00%	0.00%
Other non-executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total	5	3	2	2	41.67%	23.08%	16.67%	16.67%

C.1.5 Explain any measures taken to endeavour to include in the board a number of women to give a balanced composition of men and women directors.

Explanation of measures

By virtue of the appointment of a new female independent director in January 2017, women came to represent 30.77% of the board members.

The company thus reached the representation target specified in the Policy for Selecting Candidates, that by 2020 the gender least represented on the Board should account for at least thirty per cent of all the Board members.

In June 2017, the number of women on the board increased by one more.

At the date of this report, there are twelve board members, of which women represent 41.67% (38.46% considering the vacancy currently existing).

C.1.6 Explain any measures agreed by the nomination committee to ensure that the selection procedures are not implicitly biased against the selection of female directors and that a conscious effort is made to include women with the target profile among the candidates:

Explanation of measures

No specific measures of this nature have been adopted, the principal criterion applied when selecting candidates to the board being that the selection process should avoid any kind of implicit bias that could involve discrimination on any grounds against any of the candidates.

This notwithstanding, the Policy for Selecting Candidates to be Directors approved by the Board of Directors upholds the following principles: (i) a diversity of expertise, experience and gender on the Board shall be sought; and (ii) in equal conditions, the candidate whose gender is least represented on the board at that time shall be chosen.

In addition, the aforesaid Policy for Selecting Candidates to be Directors expressly contemplates the target that by 2020 the gender least represented on the Board shall account for at least thirty per cent of all the Board members. That target was reached in January 2017 and reinforced in June 2017, when another woman was joined the Board.

See section C.1.5 of this Report.

If, despite the measures taken, if any, there are few or no female directors, explain the reasons that justify this situation:

Explanation of reasons

C.1.6 bis Explain the conclusions of the nomination committee on checking compliance with the policy for selecting directors and, in particular, on how that policy is promoting the target that by the year 2020 the number of female directors should represent at least 30% of all the board members.

Explanation of conclusions

The Nomination and Remuneration Committee considers that the appointments of new Directors agreed in 2016 and 2017 increase the number of independent directors in line with the good governance recommendations and conform to the principles established in the Policy for Selecting Directors. Those principles are intended to: (i) enhance the diversity of expertise and experience on the board, (ii) avoid any implicit bias that may imply any kind of discrimination, and (iii) favour gender diversity, even after the company met the target set for women (as the gender least represented on the board) to represent thirty per cent of the total board members by 2020.

C.1.7 Explain the form of representation on the board of shareholders with significant interests.

- Alimentos y Aceites, S.A.: significant shareholder and proprietary Director of the Company. See section A.4 regarding its relationship with Sociedad Estatal de Participaciones Industriales.

- Corporación Económica Delta, S.A.: significant shareholder and proprietary Director of the Company. See section A.4 regarding the corporate relationship between Corporación Económica Damm, S.A. and Sociedad Anónima Damm.

- Demetrio Carceller Arce: proprietary Director of the Company upon proposal by Corporación Económica Delta, S.A.

- Javier Fernández Alonso: proprietary Director of the Company upon proposal by Corporación Financiera Alba, S.A.

- Empresas Comerciales e Industriales Valencianas, S.L.: significant shareholder and proprietary Director of the company.

- Grupo Tradifín, S.L.: significant shareholder and proprietary Director of the Company.

- Hercalianz Investing Group, S.L.: significant shareholder and executive Director of the Company. See explanatory Note one in section H of this Report regarding its classification as executive (rather than proprietary) Director.

C.1.8 Explain, if appropriate, why proprietary directors have been appointed at the request of shareholders holding less than 3% of the capital:

State whether any formal requests for presence on the board have been rejected from shareholders holding interests equal to or greater than others at whose request proprietary directors have been appointed. If appropriate, explain why such requests were not met:

YES ☐ NO ☒

C.1.9 State whether any director has retired before the end of their term of office, whether said director explained the reasons for such decision to the Board and through what means, and if the explanations were sent in writing to the entire Board, explain below at least the reasons given by the director:

Name of director:

JOSÉ ANTONIO SEGURADO GARCÍA

Reason for retirement:

Death.

Name of director:

RUDOLF-AUGUST OETKER

Reason for retirement:

He stepped down for personal and professional reasons, tendering his resignation in a letter addressed to the Chairman of the Board and giving a verbal explanation to all the Directors after the last AGM, held on 1 June 2017.

C.1.10 Indicate the powers delegated to the Managing Director(s), if any:

C.1.11 Name Board members, if any, who are also directors or executives of other companies in the same group as the listed company:

Name of director	Name of Group company	Position	Has executive duties?
ANTONIO HERNÁNDEZ CALLEJAS	VOGAN, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	JOSEPH HEAP PROPERTY, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	JOSEPH HEAP&SONS, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	A.W. MELLISH, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	ANGLO AUSTRALIAN RICE, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	HEAP COMET, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	RIVIANA FOODS, INC.	CHAIRMAN	YES
ANTONIO HERNÁNDEZ CALLEJAS	PASTIFICIO LUCIO GAROFALO, S.P.A.	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	N&C BOOST, N.V.	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	BOOST NUTRITION, C.V.	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	BOSTO PANZANI BENELUX, N.V.	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	EBRO FOODS, GMBH	JOINT & SEVERAL DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	T.A.G. NAHRUNGSMITTEL, GMBH	JOINT & SEVERAL DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	BERTOLINI IMPORT UND EXPORT, GMBH	JOINT & SEVERAL DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	HERBA GERMANY, GMBH	JOINT & SEVERAL DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	PANZANI, S.A.S.	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	S&B HERBA FOODS, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	ARROZEIRAS MUNDIARROZ. S.A.	CHAIRMAN	YES
ANTONIO HERNÁNDEZ CALLEJAS	GEOVITA FUNCTIONAL INGREDIENTS, S.r.L.	CHAIRMAN	YES
ANTONIO HERNÁNDEZ CALLEJAS	HERBA INGREDIENTS BELGIUM B, B.V.B.A.	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	HERBA GERMANY, GmbH	JOINT & SEVERAL DIRECTOR	YES

C.1.12 Name the company directors, if any, who are on the Boards of non-group companies listed on Spanish stock exchanges, insofar as the company has been notified:

Name of Director	Listed Company	Position
DEMETRIO CARCELLER ARCE	SACYR, S.A.	VICE-CHAIRMAN 1
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	ENCE ENERGÍA Y CELULOSA, S.A.	DIRECTOR
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	COCA-COLA EUROPEAN PARTNERS	DIRECTOR
JAVIER FERNÁNDEZ ALONSO	EUSKALTEL, S.A.	DIRECTOR
JAVIER FERNÁNDEZ ALONSO	PARQUES REUNIDOS SERVICIOS CENTRALES, S.A.	DIRECTOR

C.1.13 Indicate and, where appropriate, explain whether the company has established rules on the number of directorships its directors may hold:

YES ☒ NO ☐

Explanation of the rules
Article 32.2 of the Regulations of the Board of Directors establishes, in the “General Duties of Directors”, that Directors shall dedicate to the Company such attention and time as may be necessary to guarantee the effective and adequate fulfilment of each and all of the duties corresponding to their position. Consequently, the maximum number of other Directorships they may hold will be such as to ensure that they are able at all times to meet each and all of their obligations to the Company.

C.1.14 Repealed.

C.1.15 Indicate the overall remuneration of the board:

Remuneration of the board (thousand euros)	5,533
Amount of the vested rights of current directors in pension schemes (thousand euros)	0
Amount of the vested rights of former directors in pension schemes (thousand euros)	0

C.1.16 Name the members of top management who are not executive directors and indicate the aggregate remuneration accrued in their favour during the year:

Name	Position
ANA MARÍA ANTEQUERA PARDO	MANAGER COMMUNICATIONS
LUIS PEÑA PAZOS	SECRETARY OF THE COMPANY AND BOARD
LEONARDO ÁLVAREZ ARIAS	MANAGER I.T.
PABLO ALBENDEA SOLÍS	CHIEF OPERATING OFFICER
ALFONSO FUERTES BARRÓ	FINANCE MANAGER
GABRIEL SOLÍS PABLOS	TAX MANAGER
YOLANDA DE LA MORENA CEREZO	VICE-SECRETARY OF THE BOARD
GLORIA RODRÍGUEZ PATA	CORPORATE ASSETS MANAGER
JESÚS DE ZABALA BAZÁN	MANAGER INTERNAL AUDIT

MANUEL GONZÁLEZ DE LUNA	MANAGER INVESTOR RELATIONS AND FINANCIAL INSTITUTIONS

Total remuneration top management (thousand euro)	2,219

C.1.17 Name any board members who are also on the boards of companies holding significant interests in the listed company and/or in companies of its group:

Name of director	Name of significant shareholder	Position
DEMETRIO CARCELLER ARCE	SOCIEDAD ANÓNIMA DAMM	CHAIRMAN
DEMETRIO CARCELLER ARCE	CORPORACIÓN ECONÓMICA DELTA, S.A.	CHAIRMAN

Describe the significant relationships of the board members with the significant shareholders and/or companies in their group, other than as mentioned above:

Name of director

ANTONIO HERNÁNDEZ CALLEJAS

Name of significant shareholder

HERCALIANZ INVESTING GROUP, S.L.

Description of relationship

Antonio Hernández Callejas has a direct interest of 33.333% in Hercalianz Investing Group, S.L., a Director and significant shareholder of Ebro Foods, S.A. He does not hold any position in that company.

Name of director

DEMETRIO CARCELLER ARCE

Name of significant shareholder

SOCIEDAD ANÓNIMA DAMM

Description of relationship

Demetrio Carceller Arce has an interest of 0.823% in Sociedad Anónima Damm

Name of director

CORPORACIÓN ECONÓMICA DELTA, S.A.

Name of significant shareholder

SOCIEDAD ANÓNIMA DAMM

Description of relationship

Sociedad Anónima Damm has a direct interest of 99.99% in Corporación Económica Delta, S.A.

Its representative on the Board of Ebro Foods, S.A., María Carceller Arce, has a direct interest of 0.04% in Sociedad Anónima Damm. She is a Director of Corporación Económica Delta, S.A. and represents a corporate Director on the Board of Sociedad Anónima Damm.

Name of director

ALIMENTOS Y ACEITES, S.A.

Name of significant shareholder

SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES

Description of relationship

Sociedad Estatal de Participaciones Industriales has a direct interest of 91.9625% in Alimentos y Aceites, S.A.

Its representative on the Board of Ebro Foods, S.A., Concepción Ordiz Fuertes, is the company Secretary, Secretary of the Board and legal counsel of Sociedad Estatal de Participaciones Industriales.

Name of director

JAVIER FERNÁNDEZ ALONSO

Name of significant shareholder

CORPORACIÓN FINANCIERA ALBA, S.A.

Description of relationship

Javier Fernández Alonso is the Investment Manager of Corporación Financiera Alba, S.A.

C.1.18 State whether any modifications have been made during the year to the Regulations of the Board:

YES ☒ NO ☐

Description of the modifications
Modification of Article 24.1 of the Regulations of the Board of Directors to adapt it to the amended Corporate Entities Act in respect of the composition of the Audit and Compliance Committee, following the amendment thereof by virtue of the Audit Act 22/2015 of 20 July. Following the modification of that Article 24.1 of the Regulations of the Board, at least the majority of the members of the Audit and Compliance Committee must be independent directors.

C.1.19 Describe the procedures for selection, appointment, re-election, assessment and removal of directors. Indicate the competent bodies, the formalities and the criteria to be followed in each of these procedures.

The procedures for selection, appointment, re-election, assessment and removal of the directors are regulated in the Articles of Association and the Regulations of the Board.

There is also a Policy for Selecting Candidates to be Directors of Ebro Foods, S.A., which specifically and verifiably establishes the basic criteria and principles to be followed in the selection of candidates. The Policy is applicable in the appointment, ratification and re-election of directors by the General Meeting and any appointments made by the Board by cooptation in the event of a pre-term vacancy. For candidates who are legal persons, the principles and criteria of the Policy must be observed in respect of the individuals representing them on the Board.

The General Meeting is responsible for deciding on the number of directors the company is to have, within the minimum (7) and maximum (15) established in the Articles of Association, and for appointing or re-electing directors as proposed by the Board, subject to a favourable report by the Nomination and Remuneration Committee.

The Board may also appoint directors by cooptation, subject to a report by the Nomination and Remuneration Committee and by the Board of Directors on the terms stipulated in law.

In any case, the initiative of the Board regarding the incorporation of members by no means detracts from the sovereign power of the General Meeting to appoint and remove directors, or from any potential exercise by shareholders of their right to proportional representation.

The persons nominated by the Board for appointment or re-appointment as directors, or by the Nomination and Remuneration Committee in the case of independent directors, must be persons of recognised repute, with adequate experience and expertise to be able to perform their duties.

See the duties of the Nomination and Remuneration Committee in section C.2.1 of this Report for the role of that Committee in the appointment of Directors.

Directors are appointed for a term of four years, after which they are eligible for re-election on one or several occasions for terms of an equal duration. This term of four years is counted from the date of the General Meeting at which they are appointed, or ratified when previously appointed by cooptation by the Board.

If vacancies arise during the term for which they were appointed, the Board may appoint shareholders to fill those vacancies up to the next general meeting. Directors' appointments shall end at the first general meeting held after expiry of their term or lapse of the time stipulated in law for holding the general meeting that is to approve the accounts of the previous year.

The appointment and re-election procedure shall be preceded by the corresponding reports from the Nomination and Remuneration Committee and the Board, on the terms stipulated in law.

The Board regularly (annually) rates the Board, Chairman and Committees on their efficiency and fulfilment of their obligations, requesting the corresponding reports from its Committees and, if considered necessary, proposing any modifications that may be appropriate to improve their performance.

Directors retire upon expiry of the term for which they were appointed and in all other events stipulated in law, the Articles of Association or the Regulations of the Board. They must tender their resignations to the Board and step down in the events established in the Regulations of the Board.

C.1.20 Explain to what extent the annual assessment of the board has given rise to major changes in its internal organisation and the procedures applicable to its activities.

Description of modifications
The 2017 annual assessment of the Board, Committees and Chairman, made with assistance from an external independent adviser, is pending the final report issued by that adviser, so the Company has no final conclusions on this point at the date of this Report. Nevertheless, the annual assessments made in previous years did not reveal any material incidents giving rise to major changes in the internal organisation or the procedures applicable to their activities.

C.1.20.bis Describe the process of assessment and the areas assessed by the board, assisted where necessary by an external consultant, on diversity in its composition and powers, the procedure and composition of its committees, the performance by the chairman of the board and CEO of the company and the performance and contribution of each director.

A) Process of self-assessment:

A self-assessment process is carried out every year on the Board, its Committees and the executive Chairman of the Company. That process is based on (i) a report prepared by the Nomination and Remuneration Committee for presentation to the Board, (ii) the activity reports of the Audit and Compliance Committee and the Nomination and Remuneration Committee, and (iii) the resolutions adopted by the Board of Directors in view of the foregoing.

B) Methods used:

The Board members complete a questionnaire rating certain aspects regarding the quality and efficiency of the Board procedures, the actions performed by the chairman of the board, who is at the same time the chief executive of the Company, and the procedure of the executive Committee and other Board Committees.

They can also make other comments, should they deem fit, on the functioning of the Board, its Committees and the executive Chairman.

C) Areas assessed:

- Composition of the Board and actions by the Directors: assessment on the quantitative and qualitative composition of the Board and their perception of the performance by other Directors of their duties.

- Procedure of the Board: assessment of the functioning of the Board, frequency of meetings, procedure for calling meetings, remittance of documentation for the meetings and quality of those documents, transaction of business within the Board and powers of the Board.

- Chairman of the Board: assessment on the dedication and actions by the Chairman, both as such and in his capacity as chief executive of the Company.

- Committees of the Board: assessment of the directors' perception, from the Board, of the role of the Board Committees and perception of the members of the Board Committees on their functioning.

The 2017 annual assessment of the board, committees and chairman has been made with assistance from an independent external adviser and is pending conclusion at the date of this Report.

C.1.20.ter Describe, where appropriate, any business relations between the consultant or any company in its group with the company or any other company in its group.

During 2017, the external consultant provided personnel selection services for a subsidiary of the Ebro Foods Group for a charge of €6 thousand.

C.1.21 State the events in which directors are obliged to step down.

The retirement and resignation of directors are regulated in Article 31 of the Regulations of the Board of Directors:

- Directors must step down at the end of the term for which they were appointed and in all other events stipulated in law, the Articles of Association and the Regulations of the Board.

- Directors must also tender their resignations and step down in the following cases:

a) When they are affected by one of the causes of incompatibility or disqualification established in law, the Articles of Association or the Regulations of the Board.

b) When they step down from the executive post to which their appointment as director was linked, when the shareholder they represent on the Board disposes of all its shares in the Company or reduces its interest to an extent requiring a reduction in the number of proprietary Directors and, in general, whenever the reasons for their appointment disappear.

c) When the Board, following a report by the Nomination and Remuneration Committee, considers that the Director has seriously defaulted his obligations or for reasons of corporate interest.

C.1.22 Repealed.

C.1.23 Are special majorities differing from those stipulated in law required for any type of decision?

YES ☐ NO ☒

If yes, describe the differences:

C.1.24 Are there any specific requirements, other than those established for directors, to be appointed Chairman?

YES ☐ NO ☒

C.1.25 Does the Chairman have a casting vote?

YES ☒ NO ☐

Matters for which there is a casting vote

All matters.

C.1.26 Do the Articles of Association or Regulations of the Board establish an age limit for directors?

YES ☐ NO ☒

C.1.27 Do the Articles of Association or Regulations of the Board establish a limited term of office for independent directors other than as stipulated in law?

YES ☐ NO ☒

C.1.28 Do the Articles of Association or Regulations of the Board establish specific rules for the delegation of votes at board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may hold, and whether any limitation has been established regarding the categories to which proxies may be granted, other than those established in law? If yes, include a brief description.

Both the Articles of Association (Article 24) and the Regulations of the Board (Article 20) contemplate the possibility of Directors attending Board meetings through a duly authorised proxy.

The proxy must be made in advance, in writing, specially for each Board meeting, in favour of another Director.

The represented Director may issue specific voting instructions for any or all of the items on the agenda.

Non-executive Directors may only grant proxies to other non-executive Directors.

No limit is established on the number of proxies any one Director may hold, or any limitation on the categories to which proxies may be granted.

C.1.29 State the number of meetings held by the Board of Directors during the year, indicating, if appropriate, how many times the Board has met without the Chairman. Proxies made with specific instructions will be considered attendances:

Number of board meetings	11
Number of board meetings held without the chairman	0

If the chairman is an executive director, indicate the number of meetings held without the attendance or representation of any executive director and chaired by the lead independent director.

Number of meetings	1

Indicate the number of meetings held by the different Committees of the Board:

Committee	No. meetings
EXECUTIVE COMMITTEE	7
AUDIT AND COMPLIANCE COMMITTEE	6
NOMINATION AND REMUNERATION COMMITTEE	8
STRATEGY AND INVESTMENT COMMITTEE	0

C.1.30 State the number of meetings held by the Board during the period attended by all its members. Proxies made with specific instructions will be considered attendances:

Number of meetings attended by all the directors	9
% attendance over total votes during the year	81.82%

C.1.31 Are the separate and consolidated annual accounts submitted to the Board for approval previously certified?

YES ☐ NO ☒

If yes, name the person(s) who certify the separate or consolidated annual accounts of the company before they are approved by the Board:

C.1.32 Explain the mechanisms, if any, established by the Board to avoid a qualified auditors' report on the separate and consolidated accounts laid before the General Meeting.

Relations with the auditors are expressly regulated in Article 43 of the Regulations of the Board of Directors.

The Board shall establish an objective, professional and continuous relationship with the external auditors of the Company appointed by the General Meeting, guaranteeing their independence and providing them with all the information they may require to perform their duties. This relationship and the relationship with the Internal Audit Manager shall be channelled through the Audit and Compliance Committee. Furthermore, the Board shall endeavour to draw up the Annual Accounts in such a way as to avoid a qualified Auditors' report.

Within the specific duties attributed to the board in certain areas, Article 9 of the Regulations establishes that the Board shall see that the separate and consolidated Annual Accounts and Directors' Reports give a true and fair view of the equity, financial position and results of the Company, as stipulated in law, and each and all of the Directors shall have all the necessary information before signing the Annual Accounts.

Article 24.4 of the Regulations of the Board gives the Audit and Compliance Committee certain powers to ensure that the Annual Accounts are filed without a qualified auditors' report (see section C.2.4 of this Report).

Finally, there is a Risks Control and Management Policy established in the Group laying down the basic principles and the general framework for control and management of the business risks, including tax risks, and internal control of financial reporting to which the Company and other companies in its Group are exposed.

As regards the control of financial reporting, the Group has procedures in place for checking and authorising financial reporting and a description of the financial reporting internal control system (FRICS), responsibility for which lies with the Economic Department, the Risks Committee, the economic and finance departments of the different business units, the Audit and Compliance Committee and the Board. Financial information is checked and authorised up by the Economic Department of the Group on the basis of the information confirmed in the different business units. The information to be remitted to the market is supervised by the Audit and Compliance Committee and approved by the Board.

C.1.33 Is the Secretary of the Board a Director?

YES ☐ NO ☒

If the secretary is not a director, complete the following table:

Name of Secretary	Representative
LUIS PEÑA PAZOS	

C.1.34 Repealed.

C.1.35. Describe any mechanisms established by the company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.

A. With regard to the external auditors:

Both the Articles of Association and the Regulations of the Board of Directors vest in the Audit and Compliance Committee the power, among others, to contact the auditors and receive information on any issues that may jeopardise their independence, for examination by the Audit Committee, as well as any other issues relating to the auditing of accounts. The Committee shall also receive information from and exchange communications with the auditors in accordance with prevailing auditing standards and legislation, notwithstanding the ultimate responsibility of the Board of Directors, which, pursuant to Article 8.1.3.(a) of the Regulations of the Board is responsible for ensuring the independence and professional suitability of the external auditor.

Article 43 of the Regulations of the Board addresses relations with the auditors, obliging the Board to establish an objective, professional, continuous relationship with the External Auditors of the Company appointed by the General Meeting, guaranteeing their independence and putting at their disposal all the information they may require to perform their duties. It further establishes that the aforesaid relationship with the External Auditors of the Company and the relationship with the Internal Audit Manager shall be conducted through the Audit and Compliance Committee.

Finally, Article 24.4 of the Regulations of the Board establishs the following powers of the Audit and Compliance Committee in this respect:

- Supervise and promote the policies, procedures and systems used for drawing up and controlling the company's financial information, checking the services performed in this regard by the Internal Audit Department, the Financial Department and the Management Committee and making sure they are correctly distributed throughout the Group.

- Receive the information sent regularly to the Stock Exchange Councils, issue prospectuses and any public financial information offered by the Company and, in general, all information prepared for distribution among shareholders, ensuring the existence of internal control systems that guarantee the transparency and truth of the information.

- Ensure that (i) the systems used for preparing the separate and consolidated Annual Accounts and Directors' Report submitted to the Board to be authorised for issue in accordance with current legislation give a true and fair view of the equity, financial position and results of the Company and make sure that any interim financial statements are drawn up according to the same accounting principles as the annual accounts, considering the possibility of asking the external auditors to make a limited audit if necessary; and (ii) the Board of Directors endeavours to submit the annual accounts to the General Meeting with an unqualified auditors' report.

In this respect, it shall also see that the internal control systems are adequate and effective in respect of the accounting practices and principles used for drawing up the company's annual accounts, supervising the policies and procedures established to ensure due compliance with applicable legal provisions and internal regulations. The Committee shall, through its Chairman, obtain information and collaboration from both the Internal Audit Manager and the external auditors to perform these duties.

- Establish regular contact with the external auditors to receive information on any issues that may jeopardise their independence, and any other issues relating to the auditing of accounts, receiving information from and exchanging communications with the external auditors in accordance with prevailing auditing standards and legislation.

- Be informed of the decisions adopted by the senior management according to recommendations made by the external auditors in connection with the audit.

- Ensure the independence of the external auditors and the existence of a discussion procedure enabling the external auditors, the Internal Audit Department and any other expert to inform the company of any significant weaknesses in its internal control detected while checking the annual accounts or any other processes in which they have worked. The Committee shall issue an annual report, prior to issuance of the auditor's report, expressing an opinion on the independence of the external auditors and any supplementary services they may have provided.

B. With regard to relations with analysts, investment banks and rating agencies:

The Company has a Policy on Communication and Relations with Shareholders, Institutional Investors and Proxy Advisors approved by the Board of Directors, and a shareholder and investor relations Department, through which communications and information for investors in general are channelled.

Article 42 of the Regulations of the Board regulates the Company's relations with shareholders and the markets in general, providing that the Board of Directors shall take such measures as may be necessary to enable participation by shareholders in general meetings and organise meetings to inform the shareholders and investors (particularly institutional investors) on the progress of the Company and, where appropriate, its subsidiaries.

The Policy on Communication and Relations with Shareholders, Institutional Investors and Proxy Advisors contemplates the following general principles applicable in this matter:

- Communication and relations with shareholders, institutional investors and proxy advisors shall be conducted in accordance with the principles of transparency, truth and permanent, adequate, timely reporting.

- The principle of non-discrimination and equal treatment is recognised for all shareholders who are in the same conditions and not affected by conflicts of interest or competence.

- The rights and legitimate interests of all shareholders shall be protected.

- Continuous, permanent communication with shareholders and investors shall be encouraged.

- Reporting and communication channels shall be established with shareholders and investors to ensure compliance with these principles.

The Company's Audit and Compliance Committee is responsible for overseeing compliance with the rules and principles set out in the Policy on Communication and Relations with Shareholders, Institutional Investors and Proxy Advisors.

C.1.36 Indicate whether the external auditors have changed during the year. If so, name the incoming and outgoing auditors:

YES ☐ NO ☒

Explain any disagreements with the outgoing auditor:

C.1.37 State whether the firm of auditors does any work for the company and/or its group other than standard audit work and if so, declare the amount of the fees received for such work and the percentage it represents of the total fees invoiced to the company and/or its group:

YES ☒ NO ☐

	Company	Group	Total
Cost of work other than auditing (thousand euros)	224	393	617
Cost of work other than auditing / Total amount invoiced by the auditors (%)	54.63%	21.03%	27.07%

C.1.38 Indicate whether the auditors' report on the annual accounts of the previous year was qualified. If so, state the reasons given by the Chairman of the Audit Committee to explain the content and scope of the qualifications.

YES ☐ NO ☒

C.1.39 State the number of years in succession that the current firm of auditors has been auditing the annual accounts of the company and/or its group. Indicate the ratio of the number of years audited by the current auditors to the total number of years that the annual accounts have been audited:

	Company	Group
Number of years in succession	4	4
Number of years audited by current auditors / Number of years that the company has been audited (%)	14.80%	14.80%

C.1.40 Indicate, giving details if appropriate, whether a procedure has been established for directors to receive external counselling:

YES ☒ NO ☐

Details of procedure

The directors' right to counselling and information is regulated in Article 40 of the Regulations of the Board, which provides that:

- Any Director may, in the course of any specific duties commissioned to them on an individual level or within the framework of any of the Committees of the Board, request the Chairman to contract, at the Company's expense, such legal advisers, accountants, technical, financial or commercial experts or others as they may consider necessary, in order to assist them in the performance of their duties, provided such counselling is justified to resolve specific problems that are particularly complex and important.

- Considering the circumstances of the specific case, the Chairman may deny or authorise the proposal in a communication sent through the Secretary of the Board, who shall contract the expert in question, provided the proposal is authorised.

- The Chairman may also put the proposal to the Board, which may refuse to finance the counselling if (i) it is considered unnecessary for discharging the duties commissioned, (ii) the amount of finance required is considered out of proportion with the importance of the matter, or (iii) the Board considers that the technical assistance requested could be adequately provided by Company employees.

C.1.41 Indicate, with details if appropriate, whether there is an established procedure for directors to obtain sufficiently in advance any information they may need to prepare the meetings of the governing bodies:

YES ☒ NO ☐

Details of procedure

Details of procedure
Article 40 of the Regulations of the Board of Directors establishes the Directors' right to counselling and information, providing that: - Directors shall, whenever so required in the performance of their duties, have the fullest powers to obtain information on any matter whatsoever, obtaining such documents, records, background information or other elements as they may require in this respect. This right to information is extended to subsidiaries of the Group. - Directors shall address their requests for information to the Chairman and they will be dealt with by the Secretary of the Board, who shall supply the information directly or indicate who is to be contacted within the Company and, in general, establish the necessary measures to fully meet the Director's right to information. As a rule, all documents supporting the business to be transacted at Board meetings are sent together with the notice of call.

C.1.42 Indicate, with details if appropriate, whether the company has established any rules obliging Directors to report and, if necessary, retire in any situations that could be detrimental to the prestige and reputation of the company:

YES ☒ NO ☐

Explain the rules
Article 31 ("Retirement of Directors") of the Regulations of the Board of Directorts, in Chapter VII ("Directors' Statute") provides as follows: (i) Directors shall step down and tender their resignation when they are affected by one of the cases of incompatibility or disqualification established in law, the Articles of Association or the Regulations of the Board; and (ii) If a Director is prosecuted or an order is passed to commence trial against him for any offences contemplated in the applicable laws and regulations, he shall notify the Board as promptly as he is able. The Board shall study the case as soon as possible and, in view of the specific circumstances, decide whether or not that Director should remain in office, reporting on that decision and the underlying reasons in the Annual Corporate Governance Report.

C.1.43 Have any members of the Board informed the company that they have been sued or brought to trial for any of the offences contemplated in s. 213 of the Corporate Enterprises Act?

YES ☐ NO ☒

State whether the Board has studied the case. If so, indicate and explain the decision made as to whether or not the director should remain in office or, if appropriate, describe the actions taken by the board up to the date of this report, or which it plans to take.

C.1.44 Describe any significant agreements entered into by the company which enter into force, are modified or terminated in the event of a takeover of the company following a takeover bid, and the effects thereof.

Most of the financing agreements signed by the Company include takeover clauses on the usual terms for this type of contract. By virtue of those provisions, the lender reserves the right to terminate the financing agreement in the event of a takeover of the Company. Although there is no uniform definition of "takeover" for this purpose, the lender's right is triggered if there is a substantial change in the Company's significant shareholders.

C.1.45 Indicate globally and describe in detail any agreements made between the company and its directors, executives or employees contemplating golden handshake clauses in the event of resignation or unfair dismissal or termination of employment following a takeover bid or any other type of transaction.

Number of beneficiaries: 2

Type of beneficiary:

Executives

Description of the agreement:

Although the contracts of two executives contain golden handshake clauses for cases of dismissal or takeover, those clauses are no longer applicable, on their own terms.

State whether these contracts have to be notified to and/or approved by the governing bodies of the company/group companies:

	Board of Directors	General Meeting
Body authorising the clauses	**Yes**	**No**

	Yes	No
Is the General Meeting informed on the clauses?	X	

C.2 Committees of the Board

C.2.1 Give details of the different committees, their members and the proportion of executive, proprietary, independent and other non-executive directors in each committee:

EXECUTIVE COMMITTEE

Name	Position	Type
ANTONIO HERNÁNDEZ CALLEJAS	CHAIRMAN	Executive
DEMETRIO CARCELLER ARCE	MEMBER	Proprietary
JAVIER FERNÁNDEZ ALONSO	MEMBER	Proprietary

% executive directors	33.33%
% proprietary directors	66.67%
% independent directors	0.00%
% other non-executive directors	0.00%

Explain the duties attributed to this committee, describe the procedures and rules of organisation and procedure and summarise its most important actions during the year.

Articles 19 and 27 of the Articles of Association contemplate the delegation of powers of the Board of Directors to the Executive Committee.

The composition, organisation and procedure of the Executive Committee is governed by the provisions common to all the committees set out in Article 22 of the Regulations of the Board of Directors, and the specific regulations established in Article 28.1 of the Articles of Association and Article 23 of the Regulations of the Board.

The powers of this Committee are set out in Article 23.2 of the Regulations of the Board, without prejudice to what the Board may establish in its resolution to delegate powers.

The Executive Committee shall have no fewer than three nor more than seven members, including the Chairman and Vice-Chairman of the Board, who will form part of this Committee.

The Committee shall be presided by the Chairman of the Board. In general, one Executive Committee meeting will be held a month. Its meetings may be attended by such members of the management, employees and advisers of the Company as the Committee may deem fit.

Without prejudice to the autonomy of decision of the Executive Committee in respect of the delegated powers, its resolutions normally being fully valid and effective without ratification by the Board, if the Chairman or three members of the Committee consider this necessary in the circumstances, the resolutions adopted by the Executive Committee shall be submitted to the Board for ratification. This will also be applicable when the Board has delegated the Committee to study certain matters while reserving for itself the ultimate decision, in which case the Executive Committee shall merely submit the corresponding proposal to the Board.

During 2017, the Executive Committee assessed several investments, divestments and sales of assets, as well as the strategic decisions to be adopted in respect of the different business lines.

See explanatory Note seven in section H of this Report for the current composition of this Committee following the changes in the Board of Directors since 31 December 2017.

State whether the composition of this committee reflects the participation in the Board of the different categories of director:

YES ☐ NO ☒

If no, explain the composition of the executive committee

Following the death on 16 February 2017 of an independent Director who was on the Executive Committee, this Committee has one executive Director (the Chairman of the Board, who in turn chairs this Committee) and two proprietary Directors.

The Company is aware of this situation and is working to fill the vacancy left on the Board following his death with an independent Director, who would join the Executive Committee.

AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Type
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	CHAIRMAN	Independent
FERNANDO CASTELLÓ CLEMENTE	MEMBER	Independent
BELÉN BARREIRO PÉREZ-PARDO	MEMBER	Independent
MERCEDES COSTA GARCÍA	MEMBER	Independent
GRUPO TRADIFÍN, S.L.	MEMBER	Proprietary

% proprietary directors	20.00%
% independent directors	80.00%
% other non-executive directors	0.00%

Explain the duties attributed to this committee, describe the procedures and rules of organisation and procedure and summarise its most important actions during the year.

The Audit and Compliance Committee is governed by the applicable legal provisions, the specific rules on composition, organisation, procedure and powers established in Article 28.2 of the Articles of Association and Article 24 of the Regulations of the Board of Directors and the provisions on organisation and procedure common to all the Committees set out in Article 22 of the Regulations of the Board.

This Committee has a minimum of three Directors and a maximum of five.

All the members of this committee must be non-executive Directors, at least the majority must be independent Directors and one of the members must be appointed on account of their expertise and experience in accounting, auditing or both.

The Board shall appoint one of the independent Directors on the Audit and Compliance Committee to chair that Committee, subject to a report by the Nomination and Remuneration Committee. The Committee Chairman shall be replaced every four years and will become eligible for re-election one year after his retirement as such.

Meetings are held when called by its Chairman, or at the request of two of its members and at least once every three months. It shall also meet whenever so required by law or when the Board requests the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties.

In addition to those assigned to it by law, regulations or the Articles of Association, the Audit and Compliance Committee shall have the powers of supervision, monitoring, control and reporting to the Board established in Article 24.4 of the Regulations of the Board regarding the following matters:

- Risk management and internal control: it shall supervise and promote internal control of the company and the risk management systems, submit recommendations to the Board for a decision on the risk management and control policy, including tax risks, and ensure the adequacy and effectiveness of the internal control systems in relation to the accounting principles and policies used to prepare the Company's financial statements and annual accounts.

- Financial reporting and annual accounts: it shall ensure that (i) the systems used for preparing the financial reporting and annual accounts conform to current laws and regulations and portray a true and fair view of the equity, financial position and results of the Company and (ii) the Board of Directors endeavours to submit the annual accounts to the General Meeting with an unqualified auditors' report.

- Relations with the internal and external auditors: it shall submit to the board, to be tabled at the General Meeting, proposals for the selection, appointment, re-appointment and replacement of the Company's external auditors and their terms of contract, the scope of their commission and the renewal or revocation of their engagement. It shall also ensure the independence of the external auditors, issuing an annual report, prior to issuance of the auditor's report, expressing an opinion on the independence of the external auditors and any supplementary services they may have provided.

- Intragroup transactions, related party transactions and conflicts of interest: it shall oversee and report to the Board of Directors on intragroup and related party transactions of the Company or subsidiaries and settle any conflicts of interest that may arise between the Company or the Group and its Directors, executives and significant shareholders.

- Whistleblowing channel: it shall investigate and solve any issues reported through this channel, paying special attention to those involving possible falsehood or misrepresentation in financial or accounting documents and possible fraud.

- Internal codes of conduct and rules of corporate governance: it shall supervise compliance with these codes and rules and, in particular, it shall oversee the implementation of and compliance with the internal regulations and codes applicable to the risk management and control systems, especially in relation to the financial reporting process.

During 2017, the Audit and Compliance Committee performed activities of supervision, control, monitoring and reporting to the Board of Directors in respect of the matters falling within its competence, including financial reporting, annual accounts, relations with the auditors, risk management and control systems, including tax risks, related party transactions, conflicts of interest, whistleblowing channel and compliance.

The Company will issue a detailed report of all the activities performed by the Audit and Compliance Committee during 2017, which will be made available to all shareholders prior to the forthcoming AGM 2018.

Name the member of the audit committee who has been appointed on account of his expertise and experience in accounting, auditing or both and indicate the number of years that the chairman of this committee has held this position:

Name of director with experience	JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL
No. years that the chairman has been in office	3

NOMINATION AND REMUNERATION COMMITTEE

Name	Position	Type
FERNANDO CASTELLÓ CLEMENTE	CHAIRMAN	Independent
DEMETRIO CARCELLER ARCE	MEMBER	Proprietary
MERCEDES COSTA GARCÍA	MEMBER	Independent
GRUPO TRADIFÍN, S.L.	MEMBER	Proprietary

% proprietary directors	50.00%
% independent directors	50.00%
% other non-executive directors	0.00%

Explain the duties attributed to this committee, describe the procedures and rules of organisation and procedure and summarise its most important actions during the year.

The Nomination and Remuneration Committee is governed by the applicable legal provisions, the specific rules on composition, organisation and procedure established in Article 28.3 of the Articles of Association and Article 25 of the Regulations of the Board of Directors and the provisions on organisation and procedure common to all the committees set out in Article 22 of the Regulations of the Board.

The powers of the Nomination and Remuneration Committee are regulated in Article 25.4 of the Regulations of the Board, without prejudice to any others that may be assigned to it by law, the Articles of Association or the Regulations of the Board.

This Committee has a minimum of three and a maximum of five non-executive Directors, at least two of which must be independent Directors. The members are appointed by the Board of Directors.

The Board shall appoint one of the independent Directors who are members of the Committee to chair it, subject to a report by that Committee.

Meetings are held when called by its Chairman, or at the request of two of its members and at least once every three months. It shall also meet whenever so required by law or when the Board of Directors requests the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties.

Pursuant to Article 25.4 of the Regulations of the Board, the Nomination and Remuneration Committee is competent to study, issue reports and submit proposals to the Board on the following matters:

- selection of candidates to join the Board of Directors;

- appointment of the Chairman, and Vice-Chairman if any, of the Board, Managing Director(s), Lead Independent Director and the Secretary, and Vice-Secretary if any, of the Board;

- succession of the Chairman and chief executive;

- appointment of Directors to the Committees of the Board of Directors;

- appointment and possible dismissal of senior executives and their termination benefit clauses;

- directors' emoluments, according to the system of remuneration established in the Articles of Association and the executive Directors' relationship with the Company;

- remuneration of Directors and executives indexed to the value of the shares in the Company or its subsidiaries or consisting of the delivery of shares in the Company or its subsidiaries or the granting of options thereover;

- selection policy for Directors, targets for the representation of the least represented gender on the Board and issuance of guidelines on how to achieve them;

- remuneration policy for Directors and senior management of the Company and Group subsidiaries;

- management training, promotion and selection policy in the Company and Group subsidiaries;

- Annual Report on Directors' Remuneration.

During 2017 the Nomination and Remuneration Committee performed the following activities, among others:

- It issued the corresponding reports on appointments, ratification and re-election of directors and, where appropriate, the individuals representing corporate directors, and their appointment to the different committees of the Board of Directors, following assessment of the candidates and submission to the Board of the corresponding nomination, for independent Directors.

- Following due assessment of the candidate, it submitted a nomination to the Board for appointment of a new Lead Independent Director, following the death in February 2017 of the director who formerly held this position.

- It submitted a proposal to the Board for raising the directors' statutory remuneration for 2016, payable in 2017.

The Company will issue a detailed report of all the activities performed by the Nomination and Remuneration Committee during 2017, which will be made available to all shareholders prior to the forthcoming AGM 2018.

STRATEGY AND INVESTMENT COMMITTEE

Name	Position	Type
DEMETRIO CARCELLER ARCE	CHAIRMAN	Proprietary
ANTONIO HERNÁNDEZ CALLEJAS	MEMBER	Executive
JAVIER FERNÁNDEZ ALONSO	MEMBER	Proprietary
HERCALIANZ INVESTING GROUP, S.L.	MEMBER	Executive

% executive directors	50.00%
% proprietary directors	50.00%
% independent directors	0.00%
% other non-executive directors	0.00%

Explain the duties attributed to this committee, describe the procedures and rules of organisation and procedure and summarise its most important actions during the year.

Article 28.4 of the Articles of Association stipulates that the Regulations of the Board of Directors shall also contemplate the existence of a Strategy and Investment Committee, the members of which may be any Directors.

The composition, organisation and procedure of the Strategy and Investment Committee are governed by the provisions common to all the committees set out in Article 22 of the Regulations of the Board and the specific provisions established in Article 24 of the Articles of Association, its powers being regulated in Article 24.3.

This Committee has a minimum of three and a maximum of five Directors, including a Chairman, appointed by the Board of Directors subject to a report by the Nomination and Remuneration Committee.

Meetings are held when called by its Chairman or at the request of two of its members, and in any case whenever the Board of Directors requests the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties.

The Committee is competent to study, issue reports and submit proposals for the Board on the following matters:

- setting of targets for growth, yield and market share;

- strategic development plans, new investments and restructuring processes;

- coordination with subsidiaries in the matters contemplated in paragraphs (a) and (b) above, for the common interests and benefit of the Company and its subsidiaries.

After its meeting on 16 November 2016, this Committee met again on 7 February 2018 to review the Ebro Foods Group Strategic Plan 2016-2018.

See explanatory Note seven in section H of this Report for the current composition of this Committee following the changes within the Board of Directors produced after 31 December 2017.

C.2.2 Complete the following table with information on the number of female directors on the board committees over the past four years:

	Number of female directors							
	2017		2016		2015		2014	
	No.	%	No.	%	No.	%	No.	%
EXECUTIVE COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
AUDIT AND COMPLIANCE COMMITTEE	3	60.00%	2	40.00%	1	25.00%	2	40.00%
NOMINATION AND REMUNERATION COMMITTEE	2	50.00%	1	25.00%	1	25.00%	2	40.00%
STRATEGY AND INVESTMENT COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3 Repealed.

C.2.4 Repealed.

C.2.5 Indicate the existence, if appropriate, of regulations of the board committees, where they are available for consultation and any modifications made during the year. State whether an annual report has been issued voluntarily on the activities of each committee.

In general, Article 28 of the Articles of Association establishes the basic regulation of the Committees of the Board, contemplating the existence and composition of (i) the Executive Committee, (ii) the Audit and Compliance Committee and (iii) the Nomination and Remuneration Committee. It also refers to the Regulations of the Board of Directors regarding the possible existence of a Strategy and Investment Committee.

The Regulations of the Board regulate the Board committees in the following specific provisions:

- General provisions applicable to all the committees: Article 22

- Executive Committee, Article 23

- Audit and Compliance Committee, Article 24

- Nomination and Remuneration Committee, Article 25

- Strategy and Investment Committee, Article 26

The Regulations of the Board also contemplate in different articles the powers of the different Committees of the Board in different areas (e.g. modification of the Regulations).

Both the Articles of Association and the Regulations of the Board are available for consultation on the Company's website (www.ebrofoods.es). The Regulations of the Board are also published and available for consultation on the website of the National Securities Market Commission (www.cnmv.es).

Both the Audit and Compliance Committee and the Nomination and Remuneration Committee issue annual activity reports, which are submitted to the Board of Directors for its information and consideration within the assessment of the Board and its Committees. Those activity reports are made available for shareholders on the company's website coinciding with the call to the Annual General Meeting.

C.2.6 Repealed.

D. RELATED PARTY AND INTER-COMPANY TRANSACTIONS

D.1 Explain the procedure, if any, for approving related party and inter-company transactions.

Procedure for approving related party transactions

Apart from cases which, by law, require approval by the General Meeting, related party transactions are approved by the Board subject to a report by the Audit and Compliance Committee.

Article 24 of the Regulations of the Board of Directors establishes the power of the Audit and Compliance Committee to report to the Board prior to the adoption of any decisions on related party transactions submitted for its authorisation and to supervise and report to the Board on intragroup and related party transactions of the Company or subsidiaries of the Group.

With regard to related party transactions, Article 37.3 of the Regulations of the Board expressly establishes that other than in the cases in which this power is reserved by law to the General Meeting, any transactions made by the Company or Group companies with Directors, significant shareholders, other related parties or shareholders represented on the Board must be authorised by the Board. That authorisation is not necessary when the transactions meet all of the following three conditions: (i) they are made under contracts with standard terms and conditions applied "en masse" to numerous clients; (ii) they are made at prices or rates established generally by the supplier of the goods or provider of the services in question. (iii) the amount thereof does not exceed 1% of the Company's annual revenue.

General, prior authorisation by the Board for a line of transactions and their conditions, subject to a report by the Audit and Compliance Committee, will be sufficient for bilateral or recurring transactions made in the normal course of the company's business. Finally, in cases where urgent action is necessary, related party transactions may be authorised by the Executive Committee, subject to subsequent ratification by the Board.

Finally, the company makes intragroup transactions on arm's length terms, documenting them according to the requirements of the laws (essentially tax laws) in place in each jurisdiction. This is one of the practices required by the Risk Control and Management Policy established in the Ebro Group.

D.2 List any transactions for a significant amount or object between the company and/or companies in its group and significant shareholders of the company:

Name of significant shareholder	Name of company or group company	Relationship	Type of transaction	Amount (thousand euro)
SOCIEDAD ANÓNIMA DAMM	HERBA RICEMILLS, S.L.U.	Commercial	Sale of goods (finished or otherwise)	5,152

D.3 List any significant transactions for a significant amount or object between the company and/or companies in its group and the directors or executives of the company:

Name of director or executive	Name of related party	Relationship	Type of transaction	Amount (thousand euro)
ANTONIO HERNÁNDEZ CALLEJAS	LUIS HERNÁNDEZ GONZÁLEZ	RELATIVE	Operating leases	41
GRUPO TRADIFÍN, S.L.	CABHER 96, S.L.	CORPORATE	Purchase of goods (finished or otherwise)	113
HERCALIANZ INVESTING GROUP, S.L.	INSTITUTO HISPÁNICO DEL ARROZ, S.A.	CORPORATE	Operating leases	340
HERCALIANZ INVESTING GROUP, S.L.	INSTITUTO HISPÁNICO DEL ARROZ, S.A.	CORPORATE	Purchase of goods (finished or otherwise)	10,640
HERCALIANZ INVESTING GROUP, S.L.	INSTITUTO HISPÁNICO DEL ARROZ, S.A.	CORPORATE	Services rendered	12
HERCALIANZ INVESTING GROUP, S.L.	INSTITUTO HISPÁNICO DEL ARROZ, S.A.	CORPORATE	Services received	115
HERCALIANZ INVESTING GROUP, S.L.	INSTITUTO HISPÁNICO DEL ARROZ, S.A.	CORPORATE	Sales of intangible assets	2
HERCALIANZ INVESTING GROUP, S.L.	INSTITUTO HISPÁNICO DEL ARROZ, S.A.	CORPORATE	Sale of goods (finished or otherwise)	1,826
ANTONIO HERNÁNDEZ CALLEJAS	ANTONIO HERNÁNDEZ GONZÁLEZ	RELATIVE	Dividends and other distributions	18
ANTONIO HERNÁNDEZ CALLEJAS	LUIS HERNÁNDEZ GONZÁLEZ	RELATIVE	Dividends and other distributions	21
ALIMENTOS Y ACEITES, S.A.	-	-	Dividends and other distributions	9,086
FERNANDO CASTELLÓ CLEMENTE	-	-	Dividends and other distributions	1,315
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	-	-	Dividends and other distributions	2
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	LA FUENTE SALADA, S.L.	CORPORATE	Dividends and other distributions	2,622
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.U.	-	-	Dividends and other distributions	6,864
GRUPO TRADIFÍN, S.L.	-	-	Dividends and other distributions	6,982
HERCALIANZ INVESTING GROUP, S.L.	-	-	Dividends and other distributions	6,982
CORPORACIÓN ECONÓMICA DELTA, S.A.	-	-	Dividends and other distributions	6,728

D.4 Report any significant transactions with other companies in the group that are not eliminated in the consolidated financial statements and which, by virtue of their object or terms, do not correspond to the normal business of the Company:

In any case, inform on any inter-company transaction with companies established in countries or territories considered tax havens:

D.5 State the amount of transactions made with other related parties.

295 (thousand euros).

D.6 Describe the mechanisms established to detect, define and resolve possible conflicts of interest between the company and/or its group, and its directors, executives or significant shareholders:

Apart from the powers of the General Meeting and the Board of Directors on conflicts of interest of the Directors, under Article 24 of the Regulations of the Board of Directors, the Audit and Compliance Committee has the power to settle any conflicts of interest that may arise between the company or the group and its Directors, executives, significant shareholders and listed subsidiaries, if any.

With regard to the directors, Article 36 of the Regulations of the Board provides that Directors may not perform activities for their own or third party account that effectively or potentially compete with the Company or which otherwise puts them in a permanent conflict of interest with the company; and Article 37.1 establishes the obligation of Directors to take such measures as may be necessary to avoid falling into situations in which their interests, for their own or third party account, may conflict with the corporate interests and their duties to the Company.

For this purpose, Article 38 of the Regulations of the Board stipulates that Directors shall inform the Board of any direct or indirect conflict of interest that they or any of their related parties may have with the Company. Furthermore, pursuant to Article 32.4 of the Regulations of the Board, Directors shall abstain from participating in the corresponding debates and voting on resolutions or decisions in which they or any person related to them has a direct or indirect conflict of interest, except in the cases in which they are authorised by law to participate in the discussion and voting.

Rule 13 of the current Internal Code of Market Conduct stipulates that any Relevant Persons (Directors, senior executives and their closely related parties) who are or may be in a conflict of interest shall:

(i) inform the Compliance Unit of their situation;

(ii) abstain from participating in or influencing any decisions on the matters affected by the conflict;

(iii) act with freedom of judgement, loyalty to the Company and its shareholders and independently of their own interests;

(iv) abstain from requesting or having access to any information or documentation related with the conflict of interest.

It also provides that the Audit and Compliance Committee, assisted by the Compliance Unit, shall make such decisions as may be necessary in respect of any conflicts of interest that may arise.

Without prejudice to their obligation to inform, both the Directors (and in the case of corporate directors, also their representatives on the board) and the significant shareholders of the company are asked each year, when drawing up the Annual Accounts and preparing the Annual Corporate Governance Report, for confirmation of any transactions that they may have made with the Company and/or other companies in the Group, their engagement in activities similar or complementary to those included in the company's objects and that there have been no other conflicts of interest during the year.

D.7 Is more than one company of the Group listed in Spain?

YES ☐ NO ☒

Name any subsidiaries listed in Spain:

Listed subsidiary

State whether the respective areas of business and possible business relationships between them have been precisely and publicly defined, as well as those of the listed subsidiary with other group companies;

Define any business relationships between the parent company and the listed subsidiary and between the latter and the other group companies

Describe the mechanisms in place to settle any possible conflicts of interest between the listed subsidiary and other companies in the group:

Mechanisms for solving possible conflicts of interest

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the company's Risk Management System, including tax risks.

As an integral part of the corporate policies passed by the Board, the Risk Control and Management Policy lays down the basic principles and the general framework for control and management of the business risks, including tax risks, and internal control of financial reporting to which Ebro Foods, S.A. and other companies in its Group are exposed.

Within this general framework, the integral, homogenous Risk Control and Management System is based on the preparation of a business risk map, through which, by pinpointing, assessing and grading of the risk management capacity, the risks are ranked from greater to lesser impact for the Group and by probability of occurrence. The risk map also identifies methods for mitigating or neutralising the risks detected.

The risk universe is structured in four main groups: compliance, operational, strategic and financial, and they are all subdivided into a large number of categories.

The risk classification process dynamically assesses both the inherent risk and the residual risk after application of the internal controls and action protocols established to mitigate them. These controls include preventive controls, adequate separation of duties, clear levels of authorisation and definition of policies and procedures. These controls can in turn be grouped into manual and automatic, made by data processing applications.

This model is both qualitative and quantitative and can be measured in the Group's results, for which purpose the risk level is considered acceptable or tolerable on a corporate level.

The Risk Control and Management System is dynamic, so the risks to be considered will vary according to the circumstances in which the Group's business is performed.

E.2 Name the corporate bodies responsible for preparing and implementing the Risk Management System, including tax risks.

The System for Control and Management of Risks, including tax risks, and control of financial reporting is based essentially on the following structure:

- The Board of Directors, as ultimately responsible, defines the policy for control and management of risks, including tax risks, and control of financial reporting. Article 17.3 of the Regulations of the Board of Directors provide that the Board shall receive information on the most important aspects of business management and any foreseeable risk situations for the Company and its subsidiaries, together with the actions proposed by the senior management in respect thereof.

- The Audit and Compliance Committee, through the Risks Committee, performs the duties of oversight and monitoring of the financial reporting and risk control systems, reporting regularly to the Board on any significant aspects arising in these areas. It is responsible for supervising and promoting internal control of the Company and the risk management systems and submitting recommendations to the Board on the risk control and management policy and possible mitigation measures in those areas.

- The Risks Committee, based on the policy established by the Board of Directors and under the supervision of and reporting to the Audit Committee, is specifically responsible for coordinating and monitoring the system for control and management of risks, including tax risks, and control of the Group's financial reporting. The Risks Committee also analyses and assesses the risks associated with new investments.

- The Management Committees of the core business units of the Group, on which the Chairman of the Board and the Chief Operating Officer (COO) sit, assess the risks and decide on mitigation measures.

- Risk officers of the core business units of the Group. The Risks Committee nominates individuals in the major subsidiaries to monitor the systems for management and control of risks (including tax risks) and financial reporting and reporting to the Committee.

- Internal Audit Department. Within the internal audits of the different subsidiaries, the Company's Internal Audit Department checks that the testing and control of the financial reporting and risk management systems have been performed adequately in accordance with the indications by the Risks Committee.

E.3 Define the main risks, including tax risks, that could have a bearing on achievement of the company's business goals.

A. Operational risks:

- Food safety.Owing to the nature of the Group's business, aspects regarding food safety are a critical point to which the Group pays the utmost attention, as we are bound by a large number of laws and standards in each of the countries in which the Group's products are put on the market.

- Commodity supply risk. The availability of commodities in the quantity and quality required to meet our commitments to customers and the requirements of our brands is a key factor for our business both nationally (Spanish paddy rice) and internationally (semi-processed rice for the Group subsidiaries).

- Market risk (prices). Unexpected variations in the prices of our commodity supplies may seriously affect the profitability of our commercial transactions, in both the industrial and brand-based segments. The main risk lies in the prices of the different rice varieties and durum wheat, although it extends also to other materials consumed, such as packaging material and oil derivatives.

- Customer concentration risk. The concentration of customers, which can occur in both the industrial and brand segments, may lead to less favourable commercial terms for our sales and affect our credit risk.

- Technological risk. In our sector, one of the most important tools for competing with our rivals is based on constant technological innovation and searching for ways to adapt to consumers' desires. Consequently, "technological lag" is considered a possible risk.

B. Risks related with the environment and strategy:

- Environmental risk. Respect for the environment is another critical point for the Group, considering our industrial activity, with a large number of plants distributed internationally. We aim to adopt a set of good practices, complying scrupulously with the law.

- Climate risk. The effects of droughts, flooding and other weather perils in the countries where we source our supplies can cause problems of availability and unstable commodity prices, in both rice and durum wheat.

- Competition risk. In general, the pressure from white label brands is the main threat for maintaining the market shares of the Group's brands.

- Reputational risk. This is the risk associated with changes of opinion resulting in a negative perception of the Group, its brands or products by customers, shareholders, suppliers, market analysts, employees, institutions, etc., as they may adversely affect the Group's ability to maintain its commercial and financial relations or its interaction with social partners.

- Changes in lifestyle. The proliferation of low carbohydrate diets or other food habits could alter consumers' perception of our products.

- Country or market risk. Owing to the international nature of the Group's activities, political and economic circumstances in the different countries in which we operate and other market variables, such as exchange rates, interest rates, costs of production, etc. may affect our business.

- Natural disasters, fires. As an industrial group, a significant part of the assets on the Group's balance sheet corresponds to its factories, so any natural incidents (earthquakes, fires, etc.) that may affect the integrity of the Group's plants are a business risk.

C. Compliance risks:

- Sectoral regulatory risk. The food industry is a sector subject to numerous regulations affecting export and import quotas, customs duties, intervention prices, etc., subject to the directives laid down in the Common Agricultural Policy (CAP). The Group's activity may also be affected by changes in legislation in the countries in which it sources raw materials or sells its products.

- General regulatory risk. These include risks of compliance with civil, commercial, criminal and good governance provisions. In the area of criminal risks, the Group has a Crime Prevention Model, monitored and controlled by the Compliance Unit. At the date of this report, the Compliance Unit is working on the preparation of a criminal risks training plan for employees.

- Tax risks. Any changes in the tax laws or the interpretation or application thereof by the competent authorities in the countries in which the Group operates could affect its earnings.

D. Financial risks:

This Group includes foreign exchange, interest rate, liquidity and credit risks. The foreign exchange risk is particularly significant because the functional currency of the Group is the euro, but a considerable part of its commodity supply transactions are in US dollars and a very large part of the Group's investments are also in that currency.

E.4 State whether the company has a risk tolerance level, including one for tax risks.

Risks are measured by both inherent and residual risk.

A scorecard is made each year of the principal ten risks to which the Group may be exposed (the TOP TEN), which are rated and measured as far as possible. If the economic consequences of a risk could cause a loss (or a loss of profit) of more than 5% of the consolidated EBITDA budgeted, or over 20% of the individual EBITDA of a business, it is considered a threat requiring corporate action.

In general, the heads of the different business units (the Management Committee of each unit) define the risks affecting their respective businesses, assess the possible economic impact of those risks and, according to the specific circumstances prevailing, establish whatever mitigation measures they deem fit. Without prejudice to the supervision by the Risks Committee and Audit Committee, the Management Committee of each unit implements and monitors the mitigation measures taken and assesses the results thereof.

This notwithstanding, when a threat is identified that requires action on a corporate level (as mentioned in the first paragraph above), the persons responsible for risk control and management in the corresponding unit inform the Risks Committee of the situation, proposing such mitigation measures as they may consider adequate. The Risks Committee assesses the situation and the sufficiency and suitability of the proposed mitigation measures, supplementing them with additional measures should it deem fit.

E.5 What risks, including tax risks, have occurred during the year?

The following risks occurred within the Ebro Group during 2017, further details of which are provided in explanatory Note eleven in Section H of this Report:

● Commodity price and availability risk

● Country risk

● Risk of natural catastrophes and accidents

● Competition risk

● Regulatory and reputational risk

● Exchange rate risk

E.6 Explain the response and supervision plans for the main risks, including tax risks, to which the company is exposed.

The management committee in each subsidiary is responsible for monitoring the subsidiary's risk supervision system. Management committees usually meet monthly to analyse any risks that may have materialised and follow up the contingency plans and actions taken to mitigate them. Control and monitoring of the economic variables in each subsidiary against the corresponding budget also ensures the immediate detection of unforeseen risk situations. The subsidiaries with greatest weight within the Group, such as the North American subsidiaries, have "Crisis Management Plans" (CMP), which specify the main risks to which the company is exposed, the protocols for responding to them and the company officers responsible for implementation.

This notwithstanding, when a threat is identified that requires action on a corporate level (see section E.4), the persons responsible for risk control and management in the corresponding unit inform the Risks Committee of the situation, proposing such mitigation measures as may be considered adequate. The Risks Committee assesses the situation and the sufficiency and suitability of the proposed mitigation measures, supplementing them with additional measures should it deem fit.

The measures to control, reduce and, as the case may be, mitigate the risks are established according to the following basic criteria:

- They shall seek to neutralise the risk detected, maintaining coherence between the importance of the risk and the cost and means required to neutralise it.

- If neutralisation is not feasible, measures shall be designed to reduce the potential economic consequences, if possible to within tolerance levels.

- The management and control shall, as far as possible, forestall rather than remedy.

- The control mechanisms shall adequately separate management and oversight.

- The different people responsible for risk management shall coordinate their actions to be efficient, seeking the utmost integration between control systems.

- Maximum transparency shall be ensured in the identification and assessment of risks, specification and implementation of mitigation measures and assessment of the results of those measures.

- Compliance must be guaranteed with the internal reporting requirements to the bodies responsible for supervision and control.

F FINANCIAL REPORTING INTERNAL RISK CONTROL AND MANAGEMENT SYSTEM (FRICS)

Describe the mechanisms comprising the financial reporting internal control and risk management systems (FRICS) of your company

F.1 Control environment

Report on at least the following, describing their principal features:

F.1.1 What bodies and/or duties are responsible for: (i) the existence and maintenance of an adequate and effective FRICS; (ii) its implementation; and (iii) its oversight?

As established in its Regulations, the Board of Directors is ultimately responsible for the existence, maintenance and oversight of an adequate, effective financial reporting internal control system (FRICS).

The Audit and Compliance Committee is responsible for: (i) supervising and promoting the procedures and systems used to prepare and control the company's financial reporting; (ii) checking any public financial reporting; and (iii) ensuring implementation of and compliance with the internal regulations and codes applicable to the risk control and management systems in relation to the financial reporting process.

The Management Committee is responsible for the design, implementation and functioning of the FRICS through the Group Finance Department and the Finance Departments of the different business units. The different general managements are responsible for effective implementation of these systems within their respective areas of activity. There are also officers responsible for the different processes documented within the FRICS, who must ensure that those processes are kept up to date, informing the Risks Committee, through the finance department and general management of the corresponding business unit, of any modifications or adaptations required.

The Risks Committee, reporting to the Audit and Compliance Committee, is specifically responsible for coordinating and monitoring the system for control and management of risks, including tax risks, and controlling the Group's financial reporting.

F.1.2 State whether the following elements exist, especially in respect of the financial reporting process:

- Departments and/or mechanisms responsible for: (i) designing and reviewing the organisational structure; (ii) clearly defining the lines of responsibility and authority, with an adequate distribution of tasks and duties; and (iii) ensuring that there are sufficient procedures for adequately informing the company.

As established in its Regulations, the Board of Directors is responsible for defining the general strategy and guidelines for management of the Company and its Group and encouraging and supervising the actions taken by the senior officers, establishing an organisational structure that will guarantee the utmost efficiency of the senior management and the management team in general.

According to the Regulations of the Board of Directors, the Nomination and Remuneration Committee is responsible for checking the criteria followed regarding the composition and structure of the Board and for selecting candidates for the Board. It also nominates the Chairman, CEO or managing directors and Secretary of the Board and proposes the assignment of Directors to the different Board Committees, the members of the Management Committee and any other advisory committees that the Board may create.

In turn, under the policies approved by the Board, the Nomination and Remuneration Committee supervises the Senior Management of the Group, both in appointments and removals and in assessing the senior executive remuneration and incentives policy.

Within each group company, the organisational structure of the units participating in the preparation of financial reporting depends on several factors, such as the volume of operations or type of business, but in all cases it corresponds to the need to cover the main duties of recording, preparing, checking and reporting the operations performed and the economic and financial position of the company. The executive directors and management of Ebro Foods participate actively in the management committees of the Group's subsidiaries, thereby guaranteeing direct communication through the lines of responsibility and authority.

The senior management and the human resources departments of the Group and each of the subsidiaries are responsible for designing the organisational structure according to local needs, the most important subsidiaries having a formal definition through organisation charts, which include a description of the duties and responsibilities of the main areas participating in internal control of financial reporting.

The different job descriptions of positions and responsibilities are maintained by the Human Resources department of each subsidiary and the managements of all the subsidiaries, especially the financial managements, are informed of any new member of a subsidiary.

- Code of conduct, body responsible for its approval, degree of publicity and instruction, principles and values included (stating whether there is any specific mention of the recording of transactions and preparation of financial reporting), body responsible for analysing default and proposing corrective measures and penalties.

The Code of Conduct of the Ebro Group, an update of the earlier Codes of Ethics and Conduct drawn up by the Ebro Foods Group in 2003, 2008 and 2012, was approved by the board on 25 November 2015 and all levels of the organisation were notified.

The Code of Conduct provides guidance on how to act in the Group's internal and external relationships, strengthening the values that distinguish us and establishing a basic reference to be followed by the Group.

The Code aims to:

● Be a formal, institutional reference for personal and professional conduct.
● Guarantee the responsible, ethical behaviour of all the Group's professionals in their work.
● Reduce the element of subjectivity in personal interpretations of moral and ethical principles.
● Create a standardisation tool to guarantee progressive implementation throughout the Group of the ten principles of the UN Global Compact.
● Grow responsibly and committed to all our stakeholders.

As established in the Code of Conduct, the Group assumes a principle of conduct based on transparent reporting, consisting of an undertaking to report reliable financial, accounting or other information to the markets. Accordingly, the company's internal and external financial reporting will give a true and fair view of its real economic, financial and equity situation according to generally accepted accounting principles.

Employees formally sign the Code of Conduct when they join the workforce of most Group companies and all new Group employees during the year were informed and given a copy of the Code.

The Code of Conduct is published in the Intranet, where it can be consulted by any employee, and on the Group's website.

The Audit and Compliance Committee is responsible for monitoring and controlling application of the Code. The Compliance Unit, which has sufficient initiative, autonomy and resources, is responsible, among other duties, for assisting the Audit and Compliance Committee in the supervision of compliance, publication and interpretation of the Code of Conduct.

The Audit and Compliance Committee has an e-mail address to which any Group employee may send queries and suggestions regarding the interpretation of the Code of Conduct.

The Audit and Compliance Committee reports regularly to the Group's Board of Directors on any queries raised in respect of the interpretation and application of the Code of Conduct, how they have been solved and, where appropriate, the interpretation criteria followed.

The Code of Conduct provides that any violation or breach of the Code that is classified as a labour offence shall be penalised according to the labour laws, without prejudice to any other liability that the infringer may incur and the remedial measures that may be established by the different Group companies in pursuance of prevailing laws. On a Group level, the Audit and Compliance Committee, assisted by the Compliance Unit, shall receive reports of any violation of the Code of Conduct and act accordingly.

- Whistleblowing channel, through which the audit committee can be informed of any financial or accounting irregularities, any breaches of the code of conduct and irregular activities within the organisation, indicating whether this channel is confidential.

  As established in the Regulations of the Board of Directors, the Audit and Compliance Committee is formally responsible for implementing a confidential whistleblowing channel accessible to all Group employees and defining a protocol for prioritising, processing, investigating and settling reports according to their importance and nature, especially any concerning possible financial or accounting misrepresentations.

  For this purpose, the Ebro Group has established a whistleblowing or reporting channel, through its Code of Conduct, through which any irregular conduct in financial, accounting or other areas and any breach of the code of conduct can be reported confidentially.

  Through that whistleblowing channel, therefore, any employees may report whatever conduct they may consider necessary and contact the chairman of the Audit and Compliance Committee directly to inform on potential breaches. Access to that e-mail account, technologically protected to prevent any unauthorised access, is limited exclusively to the Chairman of the Audit and Compliance Committee who, as an independent Director, has no relationship with the management structure of the Group.

  The Audit and Compliance Committee guarantees the confidentiality of the reports handled, according to a confidentiality commitment signed by all those involved in handling the reports and other precautions included in the "Report Handling Protocol". That protocol, approved by the Audit and Compliance Committee in 2012, establishes the procedure to be followed on receiving reports, regarding their processing, prioritising, solving and notification.

- Training programmes and regular updates for employees involved in the preparation and checking of financial information and evaluation by the FRICS, covering at least accounting and auditing standards, internal control and risk management.

  The Ebro Group has a policy of making sure it has personnel with sufficient training and experience to perform the duties and responsibilities assigned to them. The Ebro employees involved in the preparation and checking of the financial information and FRICS evaluation participate in training and refresher courses regarding the laws and standards in place from time to time and good practices to guarantee the reliability of the financial information generated.

  The Ebro Group also encourages and provides means and resources for its employees to keep their accounting knowledge up to date through the attendance of seminars, on-line information and other means and regular meetings are held with the external auditors to assess in advance the standards in place or those about to enter into force.

  During the year the Ebro Group has focused its training for personnel involved in the preparation and checking of financial information and FRICS evaluation on the following aspects:

  - Accounting updates
  - Management and control of costs for business decision-making
  - Training in the tax laws in different countries
  - Financial Reporting Internal Control System Manual

  In addition, the external auditors of the Company and its Group regularly attend the meetings of the Audit and Compliance Committee to give training on the principal novelties in accounting and auditing, especially those that have or may have a greater effect on the Group's accounts.

F.2 Measurement of risks in financial reporting

Report at least on:

F.2.1 What are the main features of the risk identification process, including risks of error or fraud, in respect of:

- Whether the process exists and is documented.

  Within the risk control and management policy approved by the Board, the financial reporting internal control system is supervised by the Audit and Compliance Committee, assisted by the Risks Committee and the Group Finance Department.

  The potential risk events that could affect the organisation are identified and assessed through the FRICS, pinpointing and assessing the risks corresponding to each line of business. Through this risk control and management system, the Ebro Group has drawn up a consolidated risk map by compiling and combining the risk maps of its major subsidiaries.

This process is coordinated by the Risks Committee, which manages and establishes the permitted tolerance to the risk and coordinates actions to align the measures addressing risks with the Group's global risk policy so that the exposure to risk assumed by the Ebro Group overall is known at all times.

Based on the results obtained, systems are devised for addressing risks and internal control, to keep the likelihood and impact of those risks on financial reporting within the tolerance levels, thereby providing reasonable certainty regarding achievement of the strategic business goals.

- Whether the process covers all the financial reporting objectives (existence and occurrence; integrity; measurement; presentation, breakdown and comparison; and rights and obligations); whether it is updated and how often.

The Ebro Group has established a continuous improvement process to minimise the risks related with financial reporting, improving the design and effectiveness of existing controls.

For this purpose, it has a process identifying the risks affecting the reliability of financial reporting, based on and beginning with a definition of the scope, according to quantitative criteria of materiality in respect of the consolidated amounts and other qualitative criteria (error, fraud, uncommon transactions, etc.). Companies in the major business units or divisions that meet any of the afore-mentioned criteria and the material accounting items of each one are defined according to those criteria. Once the material items have been defined on a company level, the processes and sub-processes they affect are established, according to a relationship matrix.

For each of the sub-processes included within the scope, the inherent risks are identified and the checks made by the responsible persons to mitigate those risks are defined, setting this information down in a Risks-Controls Matrix. Those risks take account of all the financial reporting objectives (existence and occurrence; integrity; measurement; presentation, breakdown and comparison; and rights and obligations).

The financial reporting risks are identified in the Ebro Group's Risks-Controls Matrix and updated to take account of any changes in the scope of consolidation of the Group or development of its business and their reflection in the financial statements, making a comparative analysis every year of the variations in material processes and sub-processes to establish any risks that have not been previously identified.

- The existence of a process for defining the scope of consolidation, taking into account, among other aspects, the possible existence of complex corporate structures, base companies or special purpose vehicles.

The Ebro Group has a process based on internal regulations that guarantees the correct identification of the scope of consolidation through an adequate separation of duties in the requesting, authorising, reporting and recording of any operation entailing the incorporation, merger, division, acquisition or sale of companies and any other corporate operation, directly involving the legal department and the board.

This process considers the possible existence of complex corporate structures, base companies or special purpose vehicles, among other means by establishing an adequate structure to separate the duties of requesting, authorising and reporting for any corporate operation within the Group. No transactions or complex corporate structures that might entail off-balance sheet transactions which should be recorded within the reporting period were identified this year.

- Whether the process takes into account the effects of other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they affect the financial statements.

The Risk Control and Management System of the Ebro Group is designed to identify potential risk events that might affect the organisation. At present there are four types of risks: Operating, Compliance, Strategic and Financial risks, and the conclusions are taken into account insofar as the risks may affect financial reporting. For this purpose, the Risks Committee acts as a unit of coordination and interrelation of the effect of the risks detected on the different areas (management, business, financial reporting, legal, reputational etc. risks).

- Which governing body of the company supervises the process.

While the Board has the power, which it may not delegate, to determine the policy for control and management of risks, including tax risks, and supervision of the FRICS, the Audit and Compliance Committee is responsible for supervising and promoting the procedures and systems used to prepare and control the Company's financial reporting, and controlling the implementation of and compliance with the risk control and management systems, both in general and in respect of the financial reporting process.

F.3 Control activities

Inform whether the company has at least the following, describing their main features:

F.3.1 Procedures for checking and authorising financial information to be published on the stock markets and description of the FRICS, indicating who is responsible for these tasks and documentation describing the flows of activities and controls (including those checking for the risk of fraud) in the different types of transactions that may have a material effect on the financial statements, including the procedure for closing of accounts and the specific review of judgements, estimates, valuations and significant projections.

The priorities established within the Ebro Group include the quality and reliability of the financial information, both internal information for decision-making and external information published on the markets. The information to be provided by the different units is requested by the Group financial department, paying special attention to the processes of closing the accounts, consolidation, measurement of intangibles and areas subject to judgement and estimates.

The Ebro Group has procedures for checking and authorising the financial information and description of the FRICS, responsibility for which corresponds to the Financial Department, the Risks Committee, the Audit and Compliance Committee and the Board of Directors.

The Audit and Compliance Committee checks and analyses the financial statements and any other important financial information, as well as the principal judgements, estimates and projections included and discusses them with the corporate financial department and the internal and external auditors to confirm that the information is complete and the principles applied are consistent with those of the previous full-year accounts.

The procedure for checking and authorising the financial information corresponds to the Group financial department, based on the information checked and validated by the different units. The Audit and Compliance Committee supervises this information to be published on the market and it is approved by the Board of Directors.

The Group has implemented an improvement process to increase the documentation and make the generation of financial information and its subsequent supervision more effective and efficient.

The significant processes involved in the generation of the Group financial reporting are documented based on the COSO internal control model. The main processes documented are:

- Closing of Financial Statements and Reporting

- Consolidation

- Sales and Receivables

- Purchases and Payables

- Fixed Assets

- Inventories

- Payroll

The documentation outline is extended progressively, according to the materiality and the general criteria established in the Group's financial reporting internal control system.

The persons responsible for each of the documented processes in each subsidiary have been identified. They are responsible for keeping those processes up to date on an annual basis, reporting any modifications or adaptations to the Risks Committee through the Group's financial department.

Process documentation includes details of the flows and transactions and the financial reporting objectives and controls established to ensure they are met. It also contemplates the risks of error and/or fraud that might affect the financial reporting objectives. The documentation of flows of activities and controls that may have a material effect on the financial statements, including the accounts closing procedure, includes the preparation of narratives on the processes, flow charts and risk and control matrices. The controls identified are both preventive and detective, manual or automatic, describing also their frequency and associated information systems.

F.3.2 Internal control procedures and policies for the IT systems (including access security, track changes, operation, operating continuity and separation of duties) used for the significant processes of the company in the preparation and publication of financial information.

The Group has rules of action for managing financial information security. Those rules are applicable to the systems used to generate financial information and the IT Department is responsible for defining and proposing the security policies.

Within its policies and infrastructure management the Ebro Group has procedures to secure each of the following points:

i) Both physical and logical access are controlled to ensure that only authorised internal and external personnel can access the Ebro centres and systems. Ebro has several Data Centres, the main one in Spain where the company's critical systems are housed. The major subsidiaries also have local data centres. They all have their own infrastructure to guarantee adequate control of access to the installations. In small subsidiaries, the general rule is to have external service providers to provide that security. When external service providers are used, the Ebro Group makes internal audits of the information systems and their architecture, including the security aspect.

Logical access control is secured with efficient management of access to our systems, whether internal or external, and through a user management coordinated with the human resources department and the company's group of managers. Ebro has user access control systems and workflow tools to guarantee inter-departmental integration and efficient updating of user status, regularly identifying those who no longer access the systems. Ebro Foods has begun a global Duties Separation project, within its corporate risk control policy.

External access is guaranteed through specific users and controlled management. The necessary elements have also been provided on a network level to ensure that only authorised users and processes have access from outside.

ii) The larger subsidiaries mainly use the ERP system called SAP. In all those cases, Ebro has procedures underpinned by systems in which production changes are systematically filtered and assessed, their life cycle managed, and disseminated after acceptance by specific users and impact analysis in the systems currently used in production.

iii) The separation of duties is underpinned by the use of roles by groups of users, which allow access only to the information and transactions previously approved by the organisation. The modification or creation of new roles is backed by the same procedure that guarantees management of the user life cycle and is applicable to the major companies of the Ebro Group. Special attention is paid to separation in IT support processes to make sure that the tasks of development, sending to production and administration of the system are duly separated.

iv) Ebro has internal tools which, combined with the user support departments and systems (Help Desks), guarantee the management and traceability of incidents in the IT systems. Programme changes are managed within that system, which is based on ITIL best practices and management.

The critical information systems are always housed in our data centres and there are individuals assigned to each one who are responsible for proactive monitoring of the automatic processes and proactive assessment of the yield and functioning of the systems.

Ebro has global contracts with security control tool providers, which guarantee the installation of such tools in all the computer and data processing equipment used in the company.

v) Ebro has tools to guarantee the continuity of business support by its IT systems in the event of a fatal error or system crash. There are backup systems and policies in its data centres that guarantee access to information and systems in case of a crash. The use of tape or disk backups and replicating the information in several computers with subsequent triangular distribution are habitual procedures for making incremental or complete backup copies. The current systems allow recovery of the information up to the specific time of the fatal error or system crash.

F.3.3 Internal control procedures and policies to oversee the management of outsourced activities and any aspects of valuation, calculation or measurement commissioned to independent experts, which may have a material impact on the financial statements

In general, the Ebro Group manages all activities that may have a material impact on the reliability of the financial statements directly using internal resources to avoid outsourcing. There are very few outsourced activities and the procedures and controls of those activities are regulated in the contracts signed with the service providers in question.

The valuation, calculation or measurement activities commissioned by the Ebro Group to independent experts are mainly concerned with the appraisal of properties, actuarial studies of commitments to employees and impairment testing of intangibles.

Only service providers of internationally recognised standing are used for these valuation reports, making sure that they are not affected by any circumstance or event that could compromise their independence.

The reports obtained from these firms are submitted to internal review to check that the most significant assumptions and hypotheses used are correct and that they comply with the International Valuation Standards (IVS) and International Financial Reporting Standards (IFRS). Furthermore, the valuation processes and the hypotheses and assumptions used by independent experts are reported to and considered by the external auditors of the Company and its Group.

F.4 Information and communication

Inform whether the company has at least the following, describing their main features:

F.4.1 A specific department responsible for defining the accounting policies and keeping them up to date (accounting policy department or division) and solving queries or conflicts deriving from their interpretation, maintaining fluent communication with those responsible for operations in the organisation, as well as an updated accounting policy manual distributed among the units through which the company operates.

The Ebro Group has adequate procedures and mechanisms to put the applicable criteria across to the employees involved in the preparation of financial information and the IT systems used in that preparation. This is done through the Management Control Unit and the Corporate Financial Department, whose powers include the following, among others:

● Define, administer, update and report on the Group's accounting policies, in compliance with the applicable accounting standards and rules of consolidation for the preparation and presentation of financial information to be disclosed.

● Prepare, update and report on the Accounting Policy Manual to be applied by all financial units in the Group. This manual is updated annually.

● Settle any queries or conflicts regarding the interpretation and application of the accounting policies, maintaining fluent communication with those responsible for these operations in the organisation.

● Define and create templates, formats and criteria to be used for preparing and reporting the financial information. All financial information distributed on the markets is prepared by consolidating the reports of the different business units, prepared using mechanisms for data input, preparation and presentation that are homogenous for the entire Group. These mechanisms are designed to enable compliance with the standards applicable to the principal financial statements, including accounting criteria, valuation rules and presentation formats and embrace not only the balance sheet, profit and loss account, statement of changes in equity and statement of cash flows, but also the obtaining of other information that is necessary to prepare the notes to the financial statements.

F.4.2 Mechanisms for collecting and preparing financial information with homogenous formats, applied and used by all business units in the company or group, valid for the main financial statements and notes, and the information given on the FRICS

The Group's financial information is prepared using a process of aggregating separate financial statements at source for subsequent consolidation according to the applicable accounting and consolidation standards, to obtain the consolidated financial information to be presented monthly to the Board and published periodically on the markets.

The process of aggregation and consolidation of the Group's financial statements is based on homogenous, common format templates that include different tables and reports to be completed. They also have automatic internal controls to check the integrity and reasonability of the data input.

These templates are validated each month by a financial manager in each subsidiary before sending them for checking and consolidation. To complete the automatic checks, those data and the estimation, valuation and calculation principles used to obtain them, as well as the accounts closing procedure, are checked by the financial manager at each level of aggregation and consolidation until the Ebro Group consolidated financial information is obtained, prepared and checked by the corporate financial department.

The Ebro Group has established a reporting system for the Financial Reporting Internal Control System, which is available in the Group for all the subsidiaries included within the scope of the FRICS. Through that reporting, the management of the parent coordinates maintenance of the system in the rest of the subsidiaries annually through the assignment of persons responsible for their maintenance and updating in the event of any significant change to be taken into consideration in the documentation. Finally, if any weaknesses are detected in the financial reporting internal control system, the subsidiaries are notified of the necessary action plans and they are monitored by management of the parent.

F.5 Supervision of the functioning of the system

Inform on at least the following, describing their main features:

F.5.1 The FRICS supervisory activities performed by the Audit Committee and whether the company has an internal audit department responsible, among its duties, for assisting the committee in its supervision of the internal control system, including the financial reporting internal control system (FRICS). Inform also on the scope of the FRICS appraisal made during the year and the procedure through which the department or body responsible for the appraisal informs on the outcome, whether the company has an action plan defining any possible corrective measures and whether their impact on the financial information has been considered.

The Board of Directors is ultimately responsible for the existence, maintenance and supervision of an adequate, effective financial reporting internal control system. Among the duties defined in the Regulations of the Board of Directors, the Audit and Compliance Committee assists and supports the board in its supervision of the accounting and financial information, the internal and external audit services and corporate governance.

The Audit and Compliance Committee, assisted by the Risks Committee, must see that the internal audit procedures, the internal control systems in general, including the risk management control system and, in particular, the financial reporting internal control system, are adequate. The Audit and Compliance Committee also ensures that the external auditor and manager of the Internal Audit Department are selected on the basis of objective, professional qualifications, guaranteeing their independence in the performance of their duties; reports to the board on any related party transactions submitted for its consideration; controls any possible conflicts of interest; and, in general, makes sure that all the company’s information and reporting, particularly financial, complies with the principle of truth and maximum transparency for shareholders and markets.

The Risks Committee, as the central control system, monitors adequate fulfilment by the risk officers of the respective units of the following duties: (i) monitoring, updating and review of the business risks map and the different financial reporting processes; (ii) compliance with the reporting protocols for business risks and financial information; (iii) assessment of the measures for mitigating and controlling any risks detected, and (iv) assessment of the effectiveness of the systems and controls by testing processes indicated by the Risks Committee, assisted by the heads of the different units and, where necessary, external advisers. The Risks Committee, based on the policy established by the Board and supervised by and reporting to the Audit Committee, is specifically responsible for coordinating and monitoring the risks control and management system, including tax risks, and checking the Group’s financial information.

Within the business risks control and FRICS, the Internal Audit Department makes sure that the testing and control of risk management and financial reporting systems have been done properly, within the internal audits carried out on different subsidiaries during the year, according to the Internal Audit Plan.

The Internal Audit Department has submitted its annual working plan to the Audit and Compliance Committee and reported directly to said committee on any incidents detected in the performance of that work, proposing the corresponding action plan defining any necessary corrective measures; and at the end of each year, it has submitted an activity report.

The results of checks made by the Internal Audit Department and any incidents detected by the Risks Committee have been reported to the Audit and Compliance Committee. Moreover, the action plan devised for remedying those incidents has been sent to both the person responsible for remedying them and the Audit and Compliance Committee.

F.5.2 Inform on whether the company has a discussion procedure whereby the auditor (according to the provisions of the auditing standards), the internal audit department and other experts can inform the senior management and audit committee or company directors of any significant weaknesses detected in internal control during the auditing or checking of the annual accounts or any other processes commissioned to them. Indicate also whether the company has an action plan to remedy or mitigate the weaknesses observed.

The Audit and Compliance Committee has a stable, professional relationship with the external auditors of the principal companies in its group, strictly respecting their independence. That relationship favours communication and discussion of any internal control weaknesses pinpointed during the auditing of annual accounts or any other audit work commissioned to them.

In this regard, the Audit and Compliance Committee receives information from the external auditor at least every six months on the audit plan and outcome of its performance, and checks that the senior management heeds the auditor’s recommendations.

In addition, as established in the Regulations of the Board, it is responsible for overseeing the Internal Audit Services, examining the financial reporting process and internal control systems.

During 2017, the External Auditor and Manager of the Internal Audit Department each attended 5 meetings of the Audit and Compliance Committee.

F.6 Other significant information

N/A

F.7 External auditor’s report

Inform on:

7.7.1 Whether the FRICS information sent to the markets was checked by the external auditor, in which case the company should include the corresponding report in an annex. If not, why not.

The report issued by the external auditor is appended hereto.

G EXTENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of compliance by the company with the recommendations of the Unified Good Governance Code.

If any recommendation is not followed or is only partly followed, include a detailed explanation of the reasons so that shareholders, investors and the market in general have sufficient information to assess the company's actions. General explanations are not acceptable.

1. The Articles of Association of listed companies should not limit the maximum number of votes that may be cast by an individual shareholder or impose other restrictions hampering takeover of the company via the market acquisition of its shares.

Complies	X	Explanation	

2. When both the parent company and a subsidiary are listed, they should both publish a document specifying exactly:

   a) The types of activity they are respectively engaged in and any business dealings between them, and between the listed subsidiary and other group companies;

   b) The mechanisms in place to solve any conflicts of interest.

Complies		Partial compliance		Explanation		Not applicable	X

3. During the annual general meeting, to supplement the written distribution of the annual corporate governance report, the chairman of the board should inform the shareholders orally, in sufficient detail, of the most important aspects of the company's corporate governance, especially:

   a) Any changes made since the previous annual general meeting.

   b) The specific reasons why the company does not follow any of the recommendations of the Code of Corporate Governance and the alternative rules applied, if any.

Complies	X	Partial compliance		Explanation	

4. The company should define and promote a policy of communication and contacts with shareholder, institutional investors and proxy advisors that fully respects the laws against market abuse and gives similar treatment to shareholders who are in the same position.

   And the company should publish that policy on its website, including information on how it has been implemented, naming those responsible for such implementation.

Complies	X	Partial compliance		Explanation	

5. The board should not table a motion at the general meeting for delegating powers to issue shares or convertible securities excluding the preferential subscription right in a sum of more than 20% of the capital at the time of the delegation.

   And when the board approves an issue of shares or convertible securities excluding the preferential subscription right, the company should immediately publish on its website the reports on that exclusion required by commercial law.

Complies	X	Partial compliance		Explanation	

6. Listed companies that prepare the following reports, whether mandatory or voluntary, should publish them on their websites sufficiently in advance of the annual general meeting even though that publication is not compulsory:

   a) Report on the independence of the auditor.

   b) Reports on the functioning of the audit committee and the nomination and remuneration committee.

   c) Report by the audit committee on related party transactions.

   d) Report on the corporate social responsibility policy.

Complies	[ ]	Partial compliance	[X]	Explanation	[ ]

All the sections of this Recommendation are met, except c).

Although the Audit and Compliance Committee checks that all the related party transactions with significant shareholders, Directors and other related parties have been made at market prices and on arm's length terms and issues a favourable report to the Board, after studying this Recommendation the Company does not consider it convenient to publish the contents of that report because it contains sensitive commercial information that is confidential for the Group in respect of its rivals.

7. The company should broadcast general meetings live, through its website.

Complies	[ ]	Explanation	[X]

General Meetings of shareholders of Ebro Foods S.A. are not broadcast live through the corporate website owing to the size and capitalisation of the Company.

Furthermore, considering the little use made of the technical means intended to increase shareholders' participation at general meetings (such as the shareholders' forum or electronic voting and proxies) and the ample quorum at general meetings (77.4538% at the last AGM held on 1 June 2017), the Company considers it unnecessary at present to invest economic resources in the live broadcasting of general meetings.

All information on what happens at the general meeting is subsequently published in Spanish and English on the corporate website, where it is fully available, downloadable and easy to access, with no limitations or restrictions of any nature.

The Company has studied this Recommendation and for the time being does not contemplate live broadcasting of the AGM to be held in 2018, considering that its general meetings comply with the principles of transparency and adequate information recommended by the Code of Good Governance.

8. The audit committee should make sure that the board endeavours to avoid a qualified auditor's report on the accounts laid before the general meeting, and in exceptional circumstances when such qualifications exist, both the chairman of the audit committee and the auditors shall clearly explain to the shareholders their content and scope.

Complies	[X]	Partial compliance	[ ]	Explanation	[ ]

9. The company should publish permanently on its website the requirements and procedures it will accept as proof of ownership of shares, right to attend the general meeting and exercise or delegation of shareholders' voting right.

   And those requirements and procedures should favour the attendance and exercise by shareholders of their rights, not being in any way discriminatory.

Complies	[X]	Partial compliance	[ ]	Explanation	[ ]

10. If a legitimate shareholder has exercised their right, prior to the general meeting, to supplement the agenda or submit new proposed resolutions, the company should:

    a) Immediately distribute those supplementary items and new proposed resolutions.

    b) Publish the model attendance card or proxy form or postal/electronic voting form with the necessary modifications to enable voting on the new items on the agenda and alternative proposed resolutions on the same terms as those proposed by the board of directors.

    c) Put all these items or alternative proposals to the vote and apply the same voting rules as those applicable to the proposals by the board, including in particular the presumptions or deductions regarding votes.

    d) After the general meeting, report the details of the voting on those supplementary items or alternative proposals.

Complies	[ ]	Partial compliance	[ ]	Explanation	[ ]	Not applicable	[X]

11. If the company plans to pay attendance fees for general meetings, it should establish in advance a general policy on those fees and that policy should be stable.

Complies	X	Partial compliance		Explanation		Not applicable	

12. The board should perform its duties with unity of purpose and independence of judgement, give the same treatment to all shareholders in the same position and be guided by the company's interests, namely the achievement of a profitable business sustainable in the long term, promote its continuity and maximise the economic value of the company.

And in its search for the company's interests, apart from respecting the laws and regulations and acting in good faith, ethically and with respect for generally accepted use and good practice, endeavour to reconcile the corporate interests with the legitimate interests of its employees, suppliers, customers and other stakeholders that may be affected, as the case may be, and the impact of the company's activities on the surrounding community and environment.

Complies	X	Partial compliance		Explanation	

13. The Board should have the necessary size to operate effectively, with participation. The recommended size is, therefore, between five and fifteen members.

Complies	X	Explanation	

14. The board should approve a policy for selecting directors which:

a) Is specific and verifiable.

b) Ensures that nominations or proposals for re-election are based on a prior analysis of the board's needs.

c) Favours the diversity of expertise, experience and gender.

The results of the prior analysis of the board's needs should be set out in the report by the nomination committee published when calling the general meeting at which the ratification, appointment or re-election of each director is proposed.

And the policy for selecting directors should promote the target that the number of female directors on the board should be equivalent to at least 30% of the total members of the board by 2020.

The nomination committee shall check compliance with the policy for selecting directors annually and inform on that check in the annual corporate governance report.

Complies	X	Partial compliance		Explanation	

15. The proprietary and independent directors represent an ample majority of the board and the number of executive directors is the minimum necessary, taking account of the complexity of the corporate group and the percentage stake held by the executive directors in the company's capital.

Complies	X	Partial compliance		Explanation	

16. The ratio of proprietary directors to total non-executive directors should not be greater than the ratio of capital represented by those directors to the rest of the capital.

This may be eased:

a) In companies with a high capitalisation, in which shareholdings legally considered significant are scarce.

b) In companies with a plurality of unrelated shareholders represented on the board.

Complies	X	Explanation	

17. The number of independent directors should represent at least one-half of the total directors.

This notwithstanding, if the company does not have a large capitalisation or if it has a high level of capitalisation but has one shareholder, or several acting in concert, that controls more than 30% of the capital, the number of independent directors should represent at least one-third of the total directors.

Complies [X] Explanation [ ]

18. Companies should publish on their websites and keep up to date the following information on their directors:

    a) Professional and biographic profile.

    b) Other directorships held, in listed or unlisted companies, and other remunerated activities performed, of whatsoever nature.

    c) Indication of the category of director, indicating for proprietary directors the shareholder they represent or with which they are related.

    d) Date of first appointment as director of the company and subsequent re-elections.

    e) Shares and stock options held in the company.

Complies [ ] Partial compliance [X] Explanation [ ]

Although there is no specific section on the corporate website containing the information contemplated in paragraph b), the information on the Directors of Ebro Foods, S.A., including directorships held in listed companies and positions and activities performed, remunerated or otherwise, in companies engaged in similar or identical activities as Ebro Foods, is set out in the annual accounts and corporate governance report each year published in the corresponding sections of the website.

After studying this Recommendation, the Company considers that it informs on the directorships held in listed companies and positions and activities performed, remunerated or otherwise, in companies engaged in similar or identical activities as Ebro Foods, S.A. in sufficient detail to comply with the transparency in reporting sought by the Code of Good Governance.

19. Once checked by the nomination committee, the annual corporate governance report should include an explanation of the reasons why proprietary directors have been appointed at the request of shareholders with an interest of less than 3% in the capital, as well as the reasons, if appropriate, for not meeting formal requests for presence on the board from shareholders with an interest equal or greater than others at whose request proprietary directors have been appointed.

Complies [ ] Partial compliance [ ] Explanation [ ] Not applicable [X]

20. Proprietary directors should resign when the shareholder they represent disposes of its entire shareholding in the company. They should also resign in the corresponding number when the shareholder disposes of part of its shares to an extent requiring a reduction in the number of proprietary directors.

Complies [ ] Partial compliance [ ] Explanation [ ] Not applicable [X]

21. The Board should not propose the removal of any independent director before the end of the period for which they were appointed, unless there are just grounds for doing so, as appreciated by the Board subject to a report by the Nomination Committee. In particular, just grounds are deemed to exist when the director takes up new positions or contracts new obligations preventing them from dedicating the necessary time to performance of their duties on the board, or if they breach their duties or fall into any of the circumstances by virtue of which they would no longer be considered independent, according to the applicable legal provisions.

    The removal of independent directors may also be proposed following takeover bids, mergers or other similar corporate operations entailing a change in the ownership structure of the company, when changes in the structure of the board are required by the principle of proportionality contemplated in Recommendation 16.

Complies [X] Explanation [ ]

22. Companies should establish rules obliging directors to report and, if necessary, resign in any cases that may jeopardise the company's credit and reputation. In particular, directors should be obliged to inform the Board of any criminal proceedings brought against them and the subsequent development of the proceedings.

    If a director is prosecuted or tried for any of the offences contemplated in company law, the Board should study the case as soon as possible and, in view of the specific circumstances, decide whether or not the director should remain in office. A reasoned account should be included in the Annual Corporate Governance Report.

Complies [X] Partial compliance [ ] Explanation [ ]

23. All the directors should clearly express their opposition whenever they consider that any proposed decision submitted to the Board may go against corporate interests. The independent and other directors not affected by the potential conflict of interest should also do so when the decisions may be detrimental to shareholders not represented on the Board.

And when the Board adopts significant or reiterated decisions about which a director has expressed serious reservations, the latter should reach the appropriate conclusions and, if they opt to resign, explain the reasons in the letter contemplated in the following recommendation.

This recommendation also affects the Secretary of the Board, even if he or she is not a director.

Complies [X] Partial compliance [ ] Explanation [ ] Not applicable [ ]

24. If a director resigns or retires from office on whatsoever grounds before the end of his or her term of office, they should explain the reasons in a letter sent to all the Board members. Regardless of whether the retirement is announced as a regulatory disclosure, the reason shall be indicated in the Annual Corporate Governance Report.

Complies [ ] Partial compliance [X] Explanation [ ] Not applicable [ ]

The company partially complies with this recommendation because Dr August Oetker explained the personal and professional reasons for stepping down as director in writing to the chairman and orally to all the directors after the AGM held on 1 June 2017.

Since all the directors were duly informed of the reasons for Dr August Oetker's resignation, the company considers that it has complied with the principles of the Code of Good Governance applicable in respect of the retirement of directors and that the form used by Dr Oetker to explain his reasons for resigning (written or oral) is not significant in this case.

25. The nomination committee should make sure that non-executive directors have sufficiently availability to perform their duties correctly.

And the regulations of the board should stipulate the maximum number of directorships that may be held by its directors.

Complies [ ] Partial compliance [X] Explanation [ ]

Although the Regulations of the Board of Directors do not stipulate a maximum number of directorships that may be held by the Directors of Ebro Foods, S.A., it does impose on the Directors the obligation to dedicate to the Company such attention and time as may be necessary to guarantee the effective and adequate fulfilment of each and all of the duties corresponding to their position. Consequently, the maximum number of other directorships they may hold will be such as to ensure that they are able at all times to meet each and all of their obligations to the company (Article 32 of the Regulations of the Board, "General duties of Directors").

After studying this Recommendation, the Company considers that the principles pursued by the Code of Good Governance in this respect are met with the obligation regarding dedication imposed in Article 32 of the Regulations of the Board.

26. The Board should meet as often as may be necessary to secure efficient performance of its duties, following the calendar and business established at the beginning of the year, although any director may individually propose other items not initially contemplated to be included on the agenda.

Complies [X] Partial compliance [ ] Explanation [ ]

27. Non-attendance of Board meetings should be limited to inevitable cases and stated in the Annual Corporate Governance Report. If a director is forced to miss a Board meeting, a proxy should be granted with the appropriate instructions.

Complies [X] Partial compliance [ ] Explanation [ ]

28. When the Directors or the Secretary express concern over a proposal, or, in the case of Directors, the company's performance, and those concerns are not settled by the board, they should be put on record, at the request of those expressing them.

Complies [X] Partial compliance [ ] Explanation [ ] Not applicable [ ]

29. The company should establish adequate channels for directors to obtain any counselling they may need to perform their duties, including, should circumstances so require, external counselling at the company's expense.

Complies [X] Partial compliance [ ] Explanation [ ]

30. Regardless of the expertise required of directors to perform their duties, companies should also offer their directors refresher courses in the appropriate circumstances.

Complies [X] Explanation [ ] Not applicable [ ]

31. The agenda for meetings should clearly indicate the items on which the board is called upon to adopt a decision or resolution, so that the directors can study or obtain in advance the information they may need.

In exceptional cases, for reasons of urgency, the chairman may submit decisions or resolutions not included on the agenda for approval by the board, the prior, express consent of most of the directors present will be necessary, putting this on record in the minutes.

Complies [X] Partial compliance [ ] Explanation [ ]

32. Directors shall be regularly informed on any changes in the ownership of the company and the opinion held by the significant shareholders, investors and ratings agencies of the company and its group.

Complies [X] Partial compliance [ ] Explanation [ ]

33. Being responsible for the efficient functioning of the board of directors, apart from performing the duties assigned by law and in the articles of association, the chairman should prepare and submit to the board a schedule of dates and business to be transacted; organise and coordinate the periodical assessment of the board and chief executive, if any, of the company; be responsible for managing the board and for its efficient operation; make sure sufficient time is allotted to the discussion of strategic issues; and resolve and review the refresher programmes for each director whenever circumstances so require.

Complies [X] Partial compliance [ ] Explanation [ ]

34. When there is a lead independent director, the articles of association or regulations of the board should assign the following powers, apart from those corresponding to them by law: preside over board meetings in the absence of the chairman and vice-chairmen, if any; echo the concerns of non-executive directors; hold contacts with investors and shareholders to find out their points of view and form an opinion on their concerns, particularly regarding the corporate governance of the company; and coordinate the plan for succession of the chairman.

Complies [ ] Partial compliance [ ] Explanation [X] Not applicable [ ]

Although the Articles of Association and Regulations of the Board of Directors do not expressly assign to the lead independent Director the powers contemplated in this Recommendation, said Director is entirely free to exercise them.

The Articles of Association and Regulations of the Board do not establish any limit on the exercise of those powers by the lead independent Director or any other Director.

After studying this Recommendation, the Company considers that since any Director, not only the lead independent Director, may exercise the powers contemplated in this Recommendation, and since the Chairman is the only one who has executive duties, this is sufficient to avoid any concentration of powers in the executive Chairman, as sought by the Code of Good Governance.

35. The secretary of the board should especially ensure that the actions and decisions of the board follow the recommendations on good governance contained in the Code of Good Governance that are applicable to the company.

Complies [X] Explanation [ ]

36. The full Board should assess once a year and, where necessary, adopt an action plan to correct any deficiencies detected in respect of:

a) The quality and effectiveness of the Board's actions.

b) The functioning and composition of its committees.

c) Diversity in the composition and powers of the Board.

d) The performance by the Chairman of the Board and Chief Executive Officer of their respective duties;

e) The performance and contribution of each director, paying special attention to the heads of the different board committees.

The different committees should be assessed based on the reports they submit to the Board and the Board will be assessed on the basis of the report it submits to the Nomination Committee.

Every three years, the Board will be assisted in this assessment by an external consultant, whose independence shall be checked by the Nomination Committee.

The business relations that the consultant or any company in its group has with the company or any company in its group should be described in the Annual Corporate Governance Report.

The process and areas assessed should also be described in the Annual Corporate Governance Report.

Complies [X] Partial compliance [ ] Explanation [ ]

37. When there is an Executive Committee, the balance between the different types of director should roughly mirror that of the Board and its secretary should be the Secretary of the Board.

Complies [ ] Partial compliance [X] Explanation [ ] Not applicable [ ]

The Secretary of the Board is also secretary of the Executive Committee.

The Company partially complies with this Recommendation because following the death on 16 February 2017 of an independent Director who was on the Executive Committee, this Committee has one executive Director (the Chairman of the Board, who also chairs this Committee) and two proprietary Directors.

The Company is aware of this situation and is studying the best way to include an independent Director in this Committee.

38. The Board should be informed at all times of the business transacted and decisions made by the Executive Committee and all Board members should receive a copy of the minutes of Executive Committee meetings.

Complies [X] Explanation [ ] Not applicable [ ]

39. The members of the Audit Committee, especially its chairman, should be appointed on account of their expertise and experience in accounting, auditing or risk management, and most of those members should be independent directors.

Complies [X] Partial compliance [ ] Explanation [ ]

40. Under the supervision of the Audit Committee, there should be an internal audit unit to see that the internal control and reporting systems work properly. This unit should report to the non-executive chairman of the Board or the chairman of the Audit Committee.

Complies [X] Partial compliance [ ] Explanation [ ]

41. The head of the internal audit unit should submit its annual work programme to the Audit Committee, report directly any incidents that may arise during its fulfilment and submit an activity report at the end of each year

Complies [X] Partial compliance [ ] Explanation [ ] Not applicable [ ]

42. In addition to those contemplated in law, the Audit Committee should have the following duties:

1. In connection with the internal control and reporting systems:

   a) Supervise the preparation and integrity of the company's, and where appropriate the group's, financial reporting, checking compliance with the legal requirements, adequate definition of the scope of consolidation and correct application of accounting principles.

   b) Oversee the independence and efficacy of the internal audit department; propose the nomination, appointment, re-appointment and removal of the chief audit officer; propose the budget for this department; approve its approach and working plans, making sure its activity focuses mainly on the material risks of the company; receive regular information on its activities; and check that the top management heeds the conclusions and recommendations set out in its reports.

c) Establish and supervise a "whistle-blowing" procedure so employees can confidentially and, where appropriate, even anonymously report any potentially important irregularities they observe within the company, particularly in financial and accounting aspects.

2. In connection with the external auditors:

   a) Investigate the circumstances giving rise to resignation of any external auditor.

   b) Ensure that the remuneration of the external auditors for their work does not jeopardise their quality or independence.

   c) See that the company reports the change of auditor to the CNMV in a regulatory disclosure, attaching a declaration on the possible existence of disagreements with the outgoing auditor and the contents of those disagreements, if any.

   d) Make sure that the external auditors hold an annual meeting with the full board to inform on the work done and the evolution of the company's risks and accounting situation.

   e) Ensure that the company and external auditors respect the provisions in place on the provision of services other than auditing, limits on the concentration of the auditor's business and, in general, any other provisions regarding the independence of auditors.

Complies	X	Partial compliance		Explanation	

43. The Audit Committee may call any employee or executive of the company into its meetings, even ordering their appearance without the presence of any other senior officer.

Complies	X	Partial compliance		Explanation	

44. The Audit Committee should be informed on any corporate and structural operations that the company plans to make, so that it can analyse them and submit a preliminary report to the board on the economic terms and impact on accounts, and particularly on the exchange ratio proposed, if any.

Complies		Partial compliance		Explanation		Not applicable	X

45. The risk control and management policy should identify at least:

   a) The different types of risk, financial and non-financial (including operational, technological, legal, social, environmental, political and reputational) to which the company is exposed, including contingent liabilities and other off-balance-sheet risks among the financial or economic risks.

   b) The risk level that the company considers acceptable.

   c) The measures contemplated to mitigate the impact of the risks identified, should they materialise.

   d) The internal control and reporting systems to be used to control and manage those risks, including contingent liabilities and other off-balance-sheet risks.

Complies	X	Partial compliance		Explanation	

46. Under the direct supervision of the audit committee or, as the case may be, an ad hoc committee of the board, there should be an internal risk control and management role exercised by an internal unit or department of the company expressly having the following duties:

   a) See that the risk control and management systems work properly and, in particular, that all the major risks affecting the company are adequately identified, managed and quantified.

   b) Participate actively in the preparation of the risk strategy and in the major decisions on their management.

   c) See that the risk control and management systems adequately mitigate the risks within the policy defined by the board.

Complies	X	Partial compliance		Explanation	

47. Companies should ensure that the members of the Nomination and Remuneration Committee -or the Nomination Committee and the Remuneration Committee, if they are separate- have adequate experience, skills and expertise for the duties they are to perform and that most of those members are independent directors.

Complies ☐ Partial compliance ☒ Explanation ☐

All the members of the Nomination and Remuneration Committee have adequate experience, skills and expertise for their duties.

The Nomination and Remuneration Committee of the Company has four members, two of whom are proprietary Directors and the other two are independent, including the Chairman of the Committee.

Although the Company considers that the present composition of the Nomination and Remuneration Committee complies with the principles of the Code of Good Governance in this respect, it will bear this Recommendation in mind if it fills the vacancy currently existing on the Board of Directors.

48. Companies with a high level of capitalisation should have a separate nomination committee and remuneration committee.

Complies ☐ Explanation ☐ Not applicable ☒

49. The nomination committee should consult the chairman of the board and the chief executive of the company, especially on matters referring to the executive directors.

And any director should be able to request the nomination committee to consider potential candidates to fill vacancies on the board, in case they were suitable in the committee's opinion.

Complies ☒ Partial compliance ☐ Explanation ☐

50. The remuneration committee should perform its duties independently, having the following duties in addition to those assigned to it by law:

a) Propose to the board the basic terms of contract of the senior executives.

b) See that the remuneration policy established by the company is observed.

c) Periodically review the remuneration policy applied to directors and senior executives, including the systems of payment with shares and their application, and ensure that their individual remuneration is in proportion to that paid to other directors and senior executives of the company.

d) Ensure that any conflicts of interest that may arise do not jeopardise the independence of the external counselling provided to the committee.

e) Check the information on the remuneration of directors and senior executives in the different corporate documents, including the annual report on directors' remuneration.

Complies ☒ Partial compliance ☐ Explanation ☐

51. The remuneration committee should consult the chairman of the board and the chief executive of the company, especially on matters referring to the executive directors and senior executives.

Complies ☒ Partial compliance ☐ Explanation ☐

52. The rules of composition and procedure of the supervision and control committees should be included in the regulations of the board and be coherent with those applicable to the committees required by law according to the foregoing recommendations, including the following:

a) The members should be exclusively non-executive directors, most of them independent directors.

b) They should be chaired by independent directors.

c) The board should appoint the members of these committees on account of the expertise, skills and experience of the directors and the duties of each committee; and the committees should discuss its proposals and reports; and report on its activities at the first board meeting following their meetings, answering for the work done.

d) The committees should be able to obtain external counselling whenever they may consider it necessary to perform their duties.

e) Minutes should be issued of their meetings and made available to all directors.

Complies	☐	Partial compliance	☐	Explanation	☐	Not applicable	☒

53. The supervision of compliance with the rules of corporate governance, internal codes of conduct and corporate social responsibility policy should be assigned to one or distributed among several committees of the board, which may be the audit committee, the nomination committee, the corporate social responsibility committee, if any, or an ad hoc committee that the board, exercising its powers of self-organisation, may decide to set up. These committees should specifically have the following minimum duties:

a) Oversight of compliance with the internal codes of conduct and the company's corporate governance rules.

b) Supervision of the strategy of communication and relations with investors and shareholders, including small and medium-sized shareholders.

c) Periodical assessment of the adequacy of the company's corporate governance system to ensure that it fulfils its mission of promoting corporate interests and takes account of the legitimate interests of the other stakeholders, where appropriate.

d) Review of the company's corporate responsibility policy, making sure that it is geared towards creating value.

e) Monitoring of the corporate social responsibility strategy and practices and assessment of the degree of compliance.

f) Supervision and assessment of the processes of relations with different stakeholders.

g) Assessment of everything related with non-financial risks in the company, including operational, technological, legal, social, environmental, political and reputational risks.

h) Coordination of the reporting process for non-financial information and diversity, complying with the applicable legal provisions and international benchmark standards.

Complies	☒	Partial compliance	☐	Explanation	☐

54. The corporate social responsibility policy should include the principles or commitments that the company voluntarily undertakes in its relationships with the different stakeholders and define at least the following:

a) The corporate social responsibility goals and the development of supporting instruments.

b) The corporate strategy related with sustainability, the environment and social issues.

c) Specific practices in matters related with shareholders, employees, customers, suppliers, social issues, environment, diversity, tax responsibility, respect for human rights and prevention of unlawful conduct.

d) The methods or systems for monitoring the results of applying the specific practices contemplated in the preceding paragraph, the associated risks and management thereof.

e) The mechanisms for supervising non-financial risks, ethics and business conduct.

f) The communication channels, participation and dialogue with stakeholders.

g) Responsible communication practices to avoid manipulation of information and protect integrity and honour.

Complies	☒	Partial compliance	☐	Explanation	☐

55. The company should inform, in a separate document or in the directors' report, on matters related with corporate social responsibility, using one of the internationally accepted methodologies.

Complies	☒	Partial compliance	☐	Explanation	☐

56. The remuneration of directors should be high enough to attract and retain directors with the desired profiles and remunerate the dedication, qualification and responsibility required by their office, but should not so high as to jeopardise the independence of non-executive directors.

Complies	☒	Explanation	☐

57. Variable remuneration linked to the company's yield and personal performance and the remuneration paid in shares, stock options, rights over shares or instruments indexed to the value of the share, and long-term savings systems such as pension plans, retirement schemes or other welfare systems, should be limited to executive directors.

The delivery of shares as remuneration to non-executive directors may be contemplated when it is conditional upon holding those shares until they retire from the board. This will not be applicable to any shares that the director may need to sell to pay the costs incurred in their acquisition.

Complies [X] Partial compliance [ ] Explanation [ ]

58. For variable remunerations, the remuneration policies should establish the limits and technical precautions required to make sure those remunerations are linked to the professional performance of their beneficiaries and do not merely derive from general trends on the markets or in the company's sector of business or other similar circumstances.

In particular, the variable components of the remuneration should:

a) Be linked to predetermined, measurable yield criteria, which consider the risk assumed to obtain a result.

b) Promote the company's sustainability and include non-financial criteria that are adequate for the creation of long-term value, such as compliance with the internal rules and procedures of the company and its policies for the control and management of risks.

c) Be based on a balance between meeting short, medium and long-term goals, permitting the remuneration of yield achieved through continuous performance over a sufficient period of time to appreciate their contribution to the sustainable creation of value, such that the elements for measuring that yield are not related only with one-off, occasional or extraordinary events.

Complies [X] Partial compliance [ ] Explanation [ ] Not applicable [ ]

59. The payment of a significant part of the variable components of remuneration should be deferred for a minimum time that is sufficient to check that the yield conditions established above have actually been met:

Complies [X] Partial compliance [ ] Explanation [ ] Not applicable [ ]

60. Earnings-linked remuneration should take account of any qualifications made in the report by the external auditors that may reduce those earnings.

Complies [ ] Partial compliance [ ] Explanation [ ] Not applicable [X]

61. A significant percentage of the variable remuneration of executive directors should be linked to the delivery of shares or financial instruments indexed to their value.

Complies [ ] Partial compliance [ ] Explanation [X] Not applicable [ ]

Of the two executive Directors, only the Chairman of the Board of Directors, Antonio Hernández Callejas, receives remuneration for his executive duties. Hercalianz Investing Group, S.L. does not receive any such remuneration, for the reasons explained elsewhere in this Report.

The current variable remuneration systems of the executive Director are described in the Annual Report on Directors' Remuneration 2017 and are linked to the achievement of pre-established measurable, quantifiable objectives related with personal performance and other factors that promote the Company's and Group's long-term sustainability and profitability.

Although Article 22 of the Articles of Association contemplates the possibility that directors may receive remuneration in the form of shares, stock options or any other system of remuneration indexed to the price of the shares, the Board of Directors has not so far submitted this form of remuneration to approval by the General Meeting, considering that the systems of variable remuneration of the executive Director currently used are most appropriate for stimulating his motivation and personal performance, and his commitment to and relationship with the Group's interests.

After studying this Recommendation, the Company considers that the current system for remuneration of the only executive Director who receives remuneration for his executive duties (the Chairman) is adequate for his professional talent and profile, and his relationship with the significant shareholder Hercalianz Investing Group, S.L. (see section C.1.17 and explanatory Note six of section H of this Report on the executive Chairman's relationship with Hercalianz Investing Group, S.L.). The Company also considers that this system incorporates the necessary mechanisms to avoid excessive exposure to risks and reward for unfavourable results, as recommended by the Code of Good Governance.

62. Once the shares, stock options or rights over shares corresponding to the remuneration systems have been distributed, the directors may not transfer the ownership of a number of shares equivalent to twice their annual fixed remuneration or exercise the stock options or rights until at least three years after being allotted those shares, options or rights.

This will not be applicable to any shares that the director may need to sell to pay the costs incurred in their acquisition.

Complies		Partial compliance		Explanation		Not applicable	X

63. Contracts should include a clawback clause whereby the company may to claim repayment of the variable components of remuneration when the amounts paid do not correspond to fulfilment of the conditions regarding yield or when paid on the basis of data subsequently proved to be misstated.

Complies	X	Partial compliance		Explanation		Not applicable	

64. Termination benefits should not exceed a specified amount equivalent to two years' total annual remuneration and should not be paid until the company has confirmed that the director has met the performance requirements established above.

Complies		Partial compliance		Explanation		Not applicable	X

H OTHER INFORMATION OF INTEREST

1. If you consider there to be any important aspects regarding the corporate governance practices applied by your company or other companies in the group that have not been mentioned in this report, but which should be included to obtain more complete, reasoned information on the corporate governance practices and structure in the company or group, describe them below and give a brief explanation.

2. This section may be used to include any other information, clarification or qualification relating to the previous sections of the report, provided it is relevant and not repetitive.

   In particular, state whether the company is subject to any laws other than the laws of Spain on corporate governance and, if this is the case, include whatever information the company may be obliged to supply that differs from the information included in this report.

3. The company may also state whether it has voluntarily applied any international, sector-based or other codes of ethical principles or good practices. If so, it should name the code in question and the date of its accession.

EXPLANATORY NOTE ONE, CONCERNING THE CHANGES ON THE BOARD, THE CURRENT COMPOSITION OF THE BOARD AND THE CLASSIFICATION OF DIRECTORS

A) CHANGES ON THE BOARD

In addition to the retirement of two directors as reported in section C.1.2 of this report, the following changes occurred in the board during 2017:

● At the Board of Directors meeting held on 29 March 2017, after a favourable assessment by the Nomination and Remuneration Committee, Javier Gómez-Trenor Vergés was incorporated as the new representative on the Board of the corporate Director Empresas Comerciales e Industriales Valencianas, S.L., taking over from Juan Luis Gómez-Trenor Fos, who passed away in January 2017.

● At the same meeting and upon proposal by the Nomination and Remuneration Committee, the independent irector José Ignacio Comenge Sánchez-Real was appointed Lead Independent Director to take the place of José Antonio Segurado García, who passed away in February 2017.

● On 28 June 2017, in view of the reports by the Nomination and Remuneration Committee and the Board of Directors, the significant shareholder Corporación Económica Delta, S.A. (represented by María Carceller Arce) was appointed proprietary Director by cooptation, to fill the vacancy produced by the resignation as of 1 June 2017 of the proprietary Director Dr. August Oetker.

The following changes have occurred within the Board of Directors between 31 December 2017 and the date of issuance of this Report:

● Javier Fernández Alonso tendered his resignation as Director and member of the Executive Committee and the Strategy and Investment Committee on 31 January 2018. Mr. Fernández Alonso was classified as a proprietary Director by virtue of having been nominated upon proposal by the significant shareholder Corporación Financiera Alba, S.A.

● At the Board of Directors meeting held on the same date, 31 January 2018, in view of the reports by the Nomination and Remuneration Committee and the Board of Directors, Corporación Financiera Alba, S.A. (represented by Javier Fernández Alonso) was appointed proprietary Director by cooptation, to fill the vacancy produced by the resignation of Mr Fernández Alonso. Corporación Financiera Alba, S.A. was also appointed member of the Executive Committee and the Strategy and Investment Committee.

● On 21 March 2018 (date of issuance of this Report), Corporación Económica Delta, S.A. (represented by María Carceller Arce) stepped down as proprietary Director, being so classified by virtue of its status as significant shareholder.

● On the same date, 21 March 2018, in view of the reports by the Nomination and Remuneration Committee and the Board of Directors, the Board resolved to appoint María Carceller Arce proprietary Director by cooptation in order to fill the vacancy produced by that resignation.

B) PRESENT COMPOSITION OF THE BOARD

Following the changes indicated in A) above, the composition of the board at the date of this report is as follows:

- Antonio Hernández Callejas, Chairman. Executive Director

- Demetrio Carceller Arce, Vice-Chairman. Proprietary Director upon proposal by the significant shareholder Corporación Económica Delta, S.A.

- Alimentos y Aceites, S.A., represented by Concepción Ordiz Fuertes. Proprietary Director by virtue of its status as significant shareholder

- Belén Barreiro Pérez-Pardo. Independent Director

- Fernando Castelló Clemente. Independent Director

- José Ignacio Comenge Sánchez-Real. Lead independent Director

- Mercedes Costa García. IndependentDdirector

- Empresas Comerciales e Industriales Valencianas, S.L.U., represented by Javier Gómez-Trenor Vergés. Proprietary Director by virtue of its status as significant shareholder

- Grupo Tradifín, S.L.U., represented by Blanca Hernández Rodríguez. Proprietary Director by virtue of its status as significant shareholder

- Hercalianz Investing Group, S.L.U., represented by Félix Hernández Callejas. Executive Director. Director by virtue of its status as significant shareholder. See section C) of this explanatory Note for the reasons for its classification as executive.

- Corporación Financiera Alba, S.A., represented by Javier Fernández Alonso. Proprietary Director by virtue of its status as significant shareholder

- María Carceller Arce. Proprietary Director upon proposal by the significant shareholder Corporación Económica Delta, S.A.

The vacancy caused by the death of José Antonio Segurado García on 16 February 2017 has not yet been filled at the date of this Report.

C) CLASSIFICATION OF THE DIRECTOR HERCALIANZ INVESTING GROUP, S.L.

The following is put on record regarding the classification of Hercalianz Investing Group, S.L. as executive Director:

(i) It does not perform executive or management duties in Ebro Foods, S.A. or any subsidiary of the Group and, therefore, receives no remuneration for such duties.

(ii) It is classified as an executive Director because its individual representative on the Board of Directors of Ebro Foods, S.A. is an executive of one of the Group’s subsidiaries.

(iii) It holds the position of director because it is a significant shareholder of the Company, with a total direct and indirect interest of 7.961%. Hercalianz Investing Group, S.L. would continue to be a Director of Ebro Foods, S.A. during such time as it continues to be a significant shareholder, regardless of who its personal representative is and the executive position that said representative may hold within the Group.

EXPLANATORY NOTE TWO, ON SECTION A.5

Relationships between the companies of the Ebro Foods Group and the significant shareholders, excluding those who are Directors, are explained in section A.5.

See sections D.2 and D.3 of this Report.

EXPLANATORY NOTE THREE, ON SECTION C.1.12

José Ignacio Comenge Sánchez-Real is on the Board of Ence Energía y Celulosa, S.A., as representative of the corporate director Mendibea 2002, S.L.

EXPLANATORY NOTE FOUR, ON SECTION C.1.15

The directors' remunerations indicated in section C.1.15 include attendance fees received by the Chairman of the Board of Ebro Foods, S.A., Antonio Hernández Callejas, as Director of Pastificio Lucio Garofalo, S.p.A. (a company in the Ebro Group), totalling 5,000 euros and paid by that company.

In addition, the Chairman of the Board of Directors received 5,200 euros from Riso Scotti, S.p.A. (associate company, in which Ebro Foods, S.A. holds a 40% interest) in attendance fees as Director of that company.

EXPLANATORY NOTE FIVE, ON SECTION C.1.16

All the company executives of Ebro Foods, S.A. are included in section C.1.16.

For this purpose, the heads of the principal departments of Ebro Foods, S.A. are considered "executives" even if they do not have a senior management employment relationship with the company. This is the case of the Chief Operating Officer (COO) of the Ebro Group.

EXPLANATORY NOTE SIX, ON SECTION C.1.17

- Grupo Tradifín, S.L. and Hercalianz Investing Group, S.L. are Directors and significant shareholders of Ebro Foods, S.A. with an interest of 7.961% each.

- Antonio Hernández Callejas has a direct interest of 33.333% in Hercalianz Investing Group, S.L. and, therefore, an indirect interest in Ebro Foods, S.A. through the 7.961% direct interest held by Hercalianz Investing Group, S.L. in Ebro Foods, S.A.

- Félix Hernández Callejas, representative of Hercalianz Investing Group, S.L. on the Board of Directors of Ebro Foods, S.A., has a direct interest of 33.333% in Hercalianz Investing Group, S.L. and, therefore, an indirect interest in Ebro Foods, S.A. through the 7.961% direct interest held by Hercalianz Investing Group, S.L. in Ebro Foods, S.A. Félix Hernández Callejas is joint and several Director of that company.

- Blanca Hernández Rodríguez, representative of Grupo Tradifín, S.L. on the Board of Directors of Ebro Foods, S.A., has a direct interest of 33.25% in Grupo Tradifín, S.L. and, therefore, an indirect interest in Ebro Foods, S.A. through the 7.961% direct interest held by Grupo Tradifín, S.L. in Ebro Foods, S.A. Blanca Hernández Rodríguez is Managing Director of that company.

- Demetrio Carceller Arce has a direct interest of 0.823% in Sociedad Anónima Damm and an indirect interest in Ebro Foods, S.A. through the 11.507% indirect interest held by that company in Ebro Foods, S.A. through Corporación Económica Delta, S.A.

- Javier Gómez-Trenor Vergés, representative of Empresas Comerciales e Industriales Valencianas, S.L. on the board of directors of Ebro Foods, S.A., has a direct interest of 16.63% in Empresas Comerciales e Industriales Valencianas, S.L. and, therefore, an indirect interest in Ebro Foods, S.A. through the 7.827% direct interest held by that company in Ebro Foods, S.A. Javier Gómez-Trenor Vergés is Chairman of the Board of Empresas Comerciales e Industriales Valencianas, S.L.

María Carceller Arche, director since 21 March 2018, has a direct interest of 0.04% in Sociedad Anónima Damm and an indirect interest in Ebro Foods, S.A. through the 11.507% indirect interest held by that company in Ebro Foods, S.A. through Corporación Económica Delta, S.A. She also has a direct interest of 0.003% in Ebro Foods, S.A.

EXPLANATORY NOTE SEVEN, ON SECTION C.2.1

A. The name of the audit committee in the company is "Audit and Compliance Committee" and the name of the nomination and remuneration committee is "Nomination and Remuneration Committee".

B. Grupo Tradifín, S.L. was appointed member of the Audit and Compliance Committee on account of the expertise and experience in accounting and auditing of its representative, Blanca Hernández Rodríguez.

C. The changes in the Board indicated in explanatory Note one of this section H have only affected the composition of the Executive Committee and the Strategy and Investment Committee, in which Javier Fernández Alonso was replaced as of 31 January 2018 by the proprietary Director Corporación Financiera Alba, S.A., represented by Mr Fernández Alonso. Corporación Financiera Alba, S.A. is a member of both Committees.

EXPLANATORY NOTE EIGHT, ON SECTION D.3

With regard to the related party transactions with directors and executives listed in section D.3 of this Report, we inform as follows:

● The Directors Grupo Tradifín, S.L. and Hercalianz Investing Group, S.L. each own 50% of Instituto Hispánico del Arroz, S.A., with which the Ebro Group habitually enters into commercial transactions at market prices and on arm's length terms. The transactions effected with that company and its subsidiaries in 2017 are indicated in section D.3 as associated with the Director Hercalianz Investing Group, S.L., although they must also be considered associated with the Director Grupo Tradifín, S.L.by virtue of the 50% stake this Director holds in Instituto Hispánico del Arroz, S.A.

● During 2017, Ebro Foods, S.A. distributed a sum of €17 thousand in dividends among the executives listed in section C.1.16 of this Report.

EXPLANATORY NOTE NINE, ON SECTION D.5

A summary of the transactions made in 2017 between companies of the Ebro Group and "other related parties" is set out below:

● Transactions between the Ebro Foods Group and Hernández Barrera Servicios, S.L., a company in which Félix Hernández Callejas, representative of the Director Hercalianz Investing Group, S.L. on the Board of Ebro Foods, S.A., is Director.

- Services rendered in a sum of €2 thousand

- Services received in a sum of €291 thousand

● Dividends distributed to individuals representing corporate Directors on the Board of Ebro Foods, S.A. in a sum of €2 thousand.

EXPLANATORY NOTE TEN

Ebro Foods, S.A. has a 40% interest in Riso Scotti S.p.A. This is an associated investment consolidated by the equity method.

The transactions made during 2017 between Riso Scotti S.p.A. and companies in the Ebro Foods Group are summarised below:

- Purchase of goods (finished or otherwise), €600 thousand

- Sale of goods (finished or otherwise), €2,910 thousand

- R&D transfers and licence agreements, €9 thousand

- Other income, €5 thousand

- Dividends received, €750 thousand

- Services rendered (income), €6 thousand

EXPLANATORY NOTE ELEVEN, ON SECTION E.5

Details are given below of the risks that occurred during 2017, listed in section E.5 of this Report:

● Commodity price and availability risk

Aromatic rice prices rose progressively as from the second quarter of 2017, owing to a smaller sowing area in recent crop years and a smaller quantity of water available in some of the growing areas, which affected the harvest and the carryover stock. The price rise first hit the basmati rice varieties, then extended to Thai fragante. Average year-on-year export prices fluctuated by over 40% in basmati varieties, while the variation in Thai fragante was similar to December 2016.

It is difficult to pass on higher commodity costs to customers, especially when they are so abrupt as those described above, and lengthy negotiations are required, so part of the increased cost must be borne by the company. The final impact will depend on the negotiations under way with customers in some of the Group's principal markets.

The risk that the rice campaign 2017/18 in southern Spain will be affected by the drought has been considered probable in recent months, when the water levels in reservoirs regulating the river basins concerned have been unprecedently low. If this situation continues, irrigation could be limited in rice-growing areas, with material consequences for the forthcoming harvest.

This possibility is significant for the Group, as the area concerned is a major source of supply for our plants in the south of the peninsula. To mitigate this risk, protocols have been activated to raise the carryover levels for the next crop year and find new sources of supply in other countries (such as Argentina, which would give us a counter-cycle harvest).

As we reported last year, the tougher sanitary controls for rice and the prohibition to use certain fungicides for pest control in the European Union present a challenge for guaranteeing supply and quality from certain sources, especially in South East Asia. The Group has maintained its commitment to quality, strictly monitoring the procurement policy and quality control at source, and working conscientiously with local growers and producers.

Prior to the new harvest of durum wheat, the announcement of a smaller growing area and poor quality of carryover stock sowed unrest in the market over the summer, especially in North America, where prices unexpectedly hiked. The situation stabilised after the summer as the quality of the new harvest proved to be higher than the average over the past ten years and the production estimated in the rest of the world offset the smaller harvest in North America, but a short position of our subsidiary pushed up the cost of supplies in this geographical area. Despite the difficulty of foreseeing this type of situations, new measures have been taken to monitor and coordinate the purchase departments in the different supply regions.

● Country risk

The uncertainty surrounding the UK's exit from the European Union remains in similar terms to those mentioned in this report last year.

● Risk of natural catastrophes and accidents

The effects of hurricanes Harvey and Irma, which hit the south of the United States, were felt in our Texas plants (Freeport and Alvin), the distribution centre in Florida and the head offices of Riviana in Houston.

Prior to the imminent arrival of the hurricanes, the planned precautionary measures were taken to: (i) prevent the water coming into contact with the rice in the silos and the finished product; and (ii) divert production as far as possible to the Group's other plants.

Despite those preventive measures, damage was caused to the electrical installations and the product in store and extraordinary costs were incurred in reprocessing the rice and inventory control and safety measures, which dented the profit for the year. The risk control management immediately assessed the value of damage in order to claim from the insurance company. This is currently pending settlement.

Furthermore, a fire broke out this year at a finished product warehouse owned by a third party in the USA, caused by an electrical problem. This damaged product we had deposited at that warehouse. The damage was promptly analysed, the value of the damaged stock was assessed and a claim was filed for the sums insured, which are expected to cover practically all the damage.

● Competition risk

The challenges of aggressive price competition faced by our pasta subsidiary in Canada, which we mentioned last year, still represent a significant risk for maintaining margins and the value of assets related with that business unit. Efforts continued with a view to securing customer loyalty and adequate sales volumes, while investing in innovation in order to achieve market growth and an adequate price structure.

● Regulatory and reputational risk

Two ministerial decrees were published in Italy during the year, introducing the obligation to state on the packaging the origin of all rice sold in Italy and the wheat used to produce the pasta sold in the country, as well as the location of processing those products.

The packaging must clearly state whether the product is from Italy, the rest of the EU or other origins.

The decrees met with a major response from other exporting countries, such as Canada and the USA and the Food Drink Europe grouping, since it represented a rupture of the Common Market. It was also contested by Italian producers (Aidepi), who considered the measure hasty and confusing, since it linked the Italy brand exclusively with the source of the wheat used to produce it. Even so, they entered into force in February 2018, although the European Union is expected to issue a firm opinion during 2018 regarding the growing trend of demanding identification on the labelling of products' country of origin.

Our Group sells pasta in that country along with numerous Italian manufacturers. There is no obligation to source wheat from Italy for that pasta and we believe that the true value added derives from an exhaustive selection of the grain used and a top quality production process, which combines tradition and state-of-the-art controls, so no changes are planned in our specifications.

● Exchange rate risk

The USD-euro exchange rate was highly volatile during the year, rising from approximate parity (with rates of up to 1.03 USD/euro) at the beginning of January to over 1.20 USD/euro in early September and the end of December, continuing into January 2018. This situation has two principal effects for the Group:

a) Since approximately 40-45% of our income is generated in that currency, exchange rate fluctuations have a direct effect on the Group's profits when those amounts are translated to our functional currency, the euro.

b) Because a significant part of our raw materials are purchased in USD.

In this regard, despite a correlation between the evolution of the exchange rate and the source prices of these raw materials, there is still an exchange rate risk, which the Group tries to hedge with financial instruments. The greater the volatility, the greater the uncertainty and the greater the difficulty of establishing an adequate hedging policy.

EXPLANATORY NOTE TWELVE, ON SECTION G

- RECOMMENDATION 11

The Company has a Policy on Attendance Fees for General Meetings, which establishes the principle that those fees will not be cash payments, but the delivery of a gift related with the products of Ebro Group and/or its brands.

- RECOMMENDATION 17

Following the death of an independent director in February 2017, a vacancy was produced on the Board. At the date of this report, that vacancy still exists. At the AGM held on 1 June 2017 it was resolved to maintain the number of Board members at 13, but the vacancy has not been filled.

The board currently has four independent Directors, representing 30.76% of the total Board of thirteen members (33.33% of the total of twelve if we do not count the vacant position).

Therefore, since Ebro Foods, S.A. has a low capitalisation, it complies with the recommendation for the number of independent Directors to represent at least one-third of the total Directors.

Nevertheless, the Nomination and Remuneration Committee is studying the possibility of filling the vacancy on the Board with the appointment of a new independent Director.

ETHICAL PRINCIPLES AND CODES VOLUNTARILY APPLIED BY EBRO FOODS, S.A.:

- United Nations Global Compact - 2001

- Project of the Spanish Commercial Coding Association (AECOC) against food waste, “Don’t waste food, use it” - 2012

- Member of the Advisory Committee of the United Nations Sustainable Development Goals Fund (SDGF) to boost the Sustainable Development Goals (SDG) - 2015

- Sustainable Agriculture Initiative (SAI) Platform - 2015

- SERES Foundation - 2015

- Sustainable Rice Platform - 2016

- Forética. 2017

- Cool Farm Alliance. 2017

This Annual Corporate Governance Report was approved by the Board of Directors of the company on 21/03/2018.

State whether any directors voted against approval of this Report or abstained in the corresponding vote.

YES ☐ NO ☒

The English version of this document is purely informative.
In the event of any discrepancy between the Spanish and English versions of this document, the Spanish version will prevail.

EBRO FOODS, S.A.

Auditor Report on the "2017 Disclosures Regarding the Internal Control over Financial Reporting System"

Translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

AUDIT REPORT ON THE "DISCLOSURES REGARDING THE INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) SYSTEM" OF EBRO FOODS, S.A. FOR 2017

To the Board of Directors of Ebro Foods S.A.,

As per the request made by the Board of Directors of EBRO FOODS, S.A. (hereinafter, the Company) and our proposal letter of November 23, 2017, we have applied certain procedures in relation to the accompanying "ICFR disclosures" of EBRO FOODS, S.A. for 2017, which summarize the Company's internal control procedures in respect of its annual reporting exercise.

The Board of Directors is responsible for taking the opportune measures to reasonably assure the implementation, maintenance and supervision of an adequate internal control system, making improvements to this system and preparing the contents of the ICFR disclosures required of the accompanying Annual Corporate Governance Report (ACGR).

Against this backdrop, it is important to note that, regardless of the quality of design and effective functioning of the ICFR system adopted by the Company in respect of is annual financial reporting effort, the later can only provide reasonable but not absolute assurance regarding the objectives pursued, due to the limitations intrinsic to any internal control system.

In the course of our financial statement audit work and in keeping with Spain's Technical Auditing Standards, the sole purpose of our assessment of the Company's internal controls was to enable us to establish the scope, nature and timing of the Company's financial statement audit procedures. Accordingly, our internal control assessment, performed in connection with the financial statement audit, was not sufficiently broad in scope to enable us to issue a specific opinion on the effectiveness of the internal controls over the annual financial disclosures that the Company is required to present.

For the purpose of issuing this report, we have only carried out the specific procedures described below, as indicated in the Procedures for external audit reviews of an entity´s ICFR disclosures contained in the Internal Control over Financial Reporting in Listed Companies report published by Spain´s securities market regulator, the CNMV (and available on its website), which establishes the procedures to be performed, the scope thereof and the contents of this report. Given that the products resulting from these procedures is at any rate limited in scope and substantially more limited than an audit or review of the internal control system, we do not express any opinion on the effectiveness of the system or on its design as effective functioning in respect of the Company´s 2017 financial reporting disclosures, as described in the accompanying ICFR disclosures. Consequently, had we performed additional procedures to those stipulated in the above mentioned that the Company is required to present, other matter might have come to our attention that would have been reported to you.

Furthermore, given that this special assignment neither constitutes a financial statement audit nor is subject to the Consolidated Text of Spain´s Financial Statement Audit Act, we do not express an opinion in the terms provided for in that piece of legislation.

The procedures performed are itemized below:

1. Read and understand the information prepared by the Entity in relation to the ICFR - which is provided in the Director's Report disclosure- and assess whether such information addresses all the required information which will follow the minimum content detailed in Section F, relating to the description of the ICFR, as per the ACGR model established by CNMV Circular nº 7/2015 dated December 22, 2015.

2. Questioning of personnel responsible for drawing up the information detailed in item 1 above: (i) to obtain an understanding of the process that goes into drawing up the information; (ii) to obtain information that permits an evaluation of whether the terminology used complies with the framework definitions; and (iii) to obtain information on whether the control procedures described are in place and functioning.

3. Reviewing the explanatory documents supporting the information detailed in item 1, including documents directly made available to those responsible for describing ICFR system. The documentation to be reviewed may include reports prepared for the audit committee by internal audit, senior management and other internal or external specialist.

4. Comparing the information detailed in item 1 above with their knowledge of the Company's ICFR obtained through the external audit procedures applied during the annual audit.

5. Reading of the minutes taken at meetings of the board of directors, audit committee and other committees of the Company to evaluate the consistency between the ICFR business transacted and the information detailed in item 1 above.

6. Obtaining a management representation letter in connection with the work performed, signed by those responsible for preparing and formulating the information detailed in item 1 above.

The specific procedures carried out in respect of the Company's ICFR disclosures did not reveal any inconsistencies or incidents that could affect such disclosures.

This report was prepared exclusively within the framework of the requirements established by article 540 of the consolidated text of the Corporate Enterprises Act and by Circular nº7/2015 dated December 22, 2015 of the Spanish National Securities Market Commission related to the description of the ICFR in the Annual Corporate Governance Report.

ERNST & YOUNG, S.L.

(Signed on the original in Spanish)

David Ruiz-Roso Moyano

March 20, 2018

I, the Secretary of the Board of Directors of Ebro Foods, S.A. hereby certify that the members of the Board have signed this document containing the separate annual accounts and directors' report of Ebro Foods, S.A. for the year running from 1 January to 31 December 2017, on 138 pages excluding this one, printed on one side only (the Annual Corporate Governance Report is included at the end of the directors' report, after page 71, numbered from 1 to 63, inclusive, together with the Auditors' Report on the FRICS, on 4 pages). This certificate is signed by each and every one of the directors, in person or by the representative, against their names and surnames set out below.

Madrid, 21 March 2018

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Luis Peña Pazos
Secretary of the Board

Antonio Hernández Callejas Chairman	Demetrio Carceller Arce Vice-Chairman
Alimentos y Aceites, SA (Concepción Ordiz Fuertes)	Belén Barreiro Pérez-Pardo
María Carceller Arce	Fernando Castelló Clemente
José Ignacio Comenge Sánchez-Real Lead Independent Director	Mercedes Costa García

Empresas Comerciales
e Industriales Valencianas, SL
(Javier Gómez-Trenor Vergés)

Corporación Financiera Alba, SA
(Javier Fernández Alonso)

Grupo Tradifín, SL
(Blanca Hernández Rodríguez)

Hercalianz Investing Group, SL
(Félix Hernández Callejas)

Audit report on the Consolidated Financial Statements
issued by an Independent Auditor

EBRO FOODS, S.A. AND SUBSIDIARIES
Consolidated Financial Statements and Group Management Report
for the year ended
December 31, 2017

Translation of a report and consolidated financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails.

AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

To the shareholders of Ebro Foods, S.A.:

Report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Ebro Foods, S.A. (the parent) and its subsidiaries (the Group), which comprise the consolidated balance sheet at December 31, 2017, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto, for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of consolidated equity and the consolidated financial position of the Group at December 31, 2017 and of its financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework applicable in Spain

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of goodwill, other intangible assets, and property, plant and equipment

Description	The Group has a significant amount of other intangible assets (primarily, brand names) and property, plant and equipment. Specifically, at December 31, 2017, the Group recognized goodwill, other intangible assets, and property, plant and equipment amounting to 1,037,889 thousand euros, 428,248 thousand euros and 758,739 thousand euros, respectively. At least once a year, the Group's Management analyzes the recoverable amounts of each significant cash-generating unit (CGU). The goal of this analysis is to determine whether it is necessary to recognize an impairment loss against the goodwill associated with these CGUs or against any other intangible asset or item of property, plant, and equipment belonging to them. For purposes of this analysis, the Group determines, in collaboration with an independent expert, the impairment tests using the cash flow method at a risk-free rate. We have considered this issue to be a key audit matter because the analysis performed by Group management requires the use of complex estimates and judgments regarding the future earnings performances of the CGUs to which the aforementioned assets belong. The description of the amounts, the movements, and the analysis of the recoverable amounts of the CGUs to which the aforementioned goodwill has been allocated are provided in Note 14 to the accompanying consolidated financial statements. Elsewhere, the corresponding disclosures for other intangible assets and property, plant and equipment are provided in Notes 9 and 10, respectively, to the accompanying consolidated financial statements.

Our response	In this regard, our audit procedures included:
	
	► Reviewing, in collaboration with our valuation specialists, the reasonableness of the methodology used by management and the independent expert in constructing the cash flows discounted from each significant CGU, focusing particularly on the discount rate and long-term growth rate applied.
	
	► Reviewing the projected financial information for each CGU's business plan by analyzing:
	
	  ► Historical and budgetary financial information
	
	  ► Current market conditions and our own expectations of their future performance
	
	  ► Public information provided by other companies in the sector

- Reviewing the disclosures included in the notes to the consolidated financial statements related to the analysis of the recoverability of goodwill, other intangible assets, and property, plant, and equipment in accordance with IAS 36.

The procedures described above are performed on all the assets that do not generate cash flows irrespective of the CGU to which they belong. However, for assets no longer in use, we perform specific procedures in order to conclude on their recoverable amounts. In addition, the aforementioned analysis is likewise carried out for CGUs having assets which require annual impairment testing (good will and intangible assets with indefinite useful lives). With regard to other intangible assets and property, plant, and equipment, we analyzed the internal and external factors taken into account by the Group in order to conclude on the existence of objective indications of impairment, carrying out procedures to conclude on the recoverable amounts of those items for which indications of impairment did exist following our analysis.

Revenue recognition

Description

Revenue is recognized in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU), net of discounts, incentives, and rebates accrued by the Group's customers based on sales. In certain markets, the estimate associated with these discounts, incentives, and rebates is significant and is likewise based on complex, highly subjective judgments. Consequently, there is a risk that the contractual terms that give rise to these adjustments to sales are incorrectly recorded and thus, revenue recognized in the consolidated financial statements may be incorrectly measured.

We determined this matter to be a key audit issue due to the variety of discounts and incentives offered, as well as the complexity associated with the estimates that management must make to record some of them at year end.

Therefore, we consider the abovementioned issues to be a key audit matter. The disclosures related to recognition of revenue by the Group as well as the information relating to revenue by business segments are provided in Notes 3 s) and 6, respectively, to the accompanying consolidated financial statements.

Our response

In this regard, our audit procedures included:

- Understanding the policies and procedures applied to revenue recognition, as well as compliance therewith, including an analysis of the effectiveness of controls related to revenue recognition processes employed by the Group's key components.
- Carrying out substantive analytical procedures for the Group's key components, analyzing the actual performance of revenue and cost of sales related to discounts, incentives, rebates, and margins, as compared with budgeted data.

- Analyzing and discussing with management significant contracts including contractual terms and conditions related to discounts, incentives, and rebates, as well as the hypotheses used in the related estimates.
- Reviewing the most relevant estimates made in connection with discounts, incentives, and rebates at years end via customer confirmation letters and alternative procedures.
- Performing operations cut-off procedures for a sample of revenue transactions at year end in order to conclude on whether they were recognized at the moment the related goods or services actually took place.
- Analyzing other adjustments and credit notes issued after the reporting date.
- Performing analytical procedures on entries in the daily ledger related to revenue made by the Group's key components. These procedures were carried out paying special attention to accounting entries recorded close to the year-end closing or subsequently, as well as those deemed unusual due, among other reasons, to their nature, amount, date of occurrence, user, the item itself or its balancing entry.
- Reviewing disclosures included in the notes to the accompanying consolidated financial statements.

Other information: Consolidated management report

Other information refers exclusively to the 2017 consolidated management report, the preparation of which is the responsibility of the parent company's directors and is not an integral part of the financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. In conformity with prevailing audit regulations in Spain, our responsibility in terms of the consolidated management report is to assess and report on the consistency of the management report with the consolidated financial statements based on the knowledge of the Group we obtained while auditing the consolidated financial statements, and not including any information not obtained as evidence during the course of the audit:

a. A specific level applicable to the non-financial information statement, as well as certain information included in the Corporate Governance Report, as defined in article 35.2 b) of Law 22/2015 on auditing, which solely requires that we verify whether said information has been included in the consolidated management report and if not, disclose this fact.

b. a general level applicable to the remaining information included in the consolidated management report, which requires us to evaluate and report on the consistency of said information in the consolidated financial statements, based on knowledge of the Group obtained during the audit, excluding information not obtained from evidence. Moreover, we are required to evaluate and report on whether the content and presentation of this part of the consolidated management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described in the above paragraph, we have verified that the specific information referred to in paragraph a) above has been provided in the consolidated management report, and that the remaining the information contained therein is consistent with that provided in the 2017 consolidated financial statements and their content and presentation are in conformity with applicable regulations.

Responsibilities of the parent company's directors and the audit committee for the consolidated financial statements

The directors of the parent company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the equity, financial position and results of the Group, in accordance with IFRS-EU, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the parent company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process. Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We are solely responsible for our audit opinion.

We communicate with the audit committee of the parent company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee of the parent company with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

Additional report to the parent's audit committee

The opinion expressed in this report is coherent with that reflected in our additional report prepared for the parent's Audit Committee dated April 03, 2018.

Term of engagement

During the Ordinary General Shareholders' Meeting held on June 1, 2015, we were appointed auditors for a period of three years, commencing the year ended December 31, 2017.

Previously, we were appointed as auditors by the shareholders for three years and we have been carrying out the audit of the financial statements continuously since the year ended December 31, 2014.

ERNST & YOUNG, S.L.
(Registered in Spain's Official Register of Auditors under # S0530)

(Signed on the original in Spanish)

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David Ruiz-Roso Moyano
(Registered in the Official Register of Auditors under entry no. 18336)

April 3, 2018

EBRO FOODS, S.A. GROUP

CONSOLIDATED FINANCIAL STATEMENTS
AND GROUP MANAGEMENT REPORT

for the year ended
December 31, 2017

(prepared in accordance with the
International Financial Reporting
Standards adopted
by the European Union)

EBRO FOODS, S.A. GROUP
CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2017 AND 2016
THOUSANDS OF EUROS

	Note	31/12/2017	31/12/2016
NON-CURRENT ASSETS			
Intangible assets	9	428,248	464,228
Property, plant and equipment	10	758,739	737,452
Investment properties	11	23,780	25,882
Financial assets	12	32,252	34,088
Investments in associates	13	36,755	37,299
Deferred tax assets	25	49,757	83,068
Goodwill	14	1,037,889	1,028,740
		2,367,420	**2,410,757**
CURRENT ASSETS			
Inventories	15	558,990	488,821
Trade and other receivables	16	378,069	375,442
Current tax liabilities	25	37,651	26,441
Taxes receivable	25	32,425	32,643
Other financial assets	12	8,636	5,067
Derivative and other financial instruments	28	146	3,909
Other current assets		7,952	11,383
Cash and cash equivalents	17	269,411	291,340
		1,293,280	**1,235,046**
Non-current assets held for sale		0	0
TOTAL ASSETS		**3,660,700**	**3,645,803**

	Note	31/12/2017	31/12/2016
EQUITY		**2,121,925**	**2,106,401**
Equity attributable to equity holders of the parent			
Share capital		92,319	92,319
Share premium		4	4
Restricted parent company reserves		21,633	21,633
Retained earnings		1,952,503	1,820,612
Translation differences		8,178	144,758
Own shares		0	0
	18	**2,074,637**	**2,079,326**
Non-controlling interests		**47,288**	**27,075**
NON-CURRENT LIABILITIES			
Deferred income	19	4,051	4,749
Provisions for pensions and similar obligations	20	51,110	56,489
Other provisions	21	20,579	18,498
Financial liabilities	22	472,353	495,490
Other non-financial liabilities	23	0	0
Deferred tax liabilities	25	219,250	299,500
		767,343	**874,726**
CURRENT LIABILITIES			
Other financial liabilities	22	310,194	241,960
Derivative and other financial instruments	28	4,293	1,104
Trade and other accounts payable	24	425,161	393,896
Current tax liabilities	25	14,013	12,966
Taxes payable	25	14,822	13,733
Other current liabilities		2,949	1,017
		771,432	**664,676**
Liabilities associated with non-current assets held for sale		0	0
TOTAL EQUITY AND LIABILITIES		**3,660,700**	**3,645,803**

The accompanying notes 1 to 31 are an integral part of the consolidated balance sheet at December 31, 2017.

EBRO FOODS, S.A. GROUP
CONSOLIDATED INCOME STATEMENT FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
THOUSANDS OF EUROS

	Note	2017	2016
Revenue	6	2,506,969	2,459,246
Change in inventories of finished goods and work in progress		23,878	16,231
Own work capitalized		737	1,097
Other operating income	8	20,193	34,570
Raw materials and consumables used and other external e	6	(1,331,011)	(1,314,475)
Employee benefits expense	8	(338,975)	(331,443)
Depreciation and amortization	9, 10 & 11	(79,686)	(76,833)
Other operating expenses	8	(531,026)	(523,785)
OPERATING PROFIT		**271,079**	**264,608**
Finance income	8	35,505	28,746
Finance costs	8	(46,562)	(36,803)
Impairment of goodwill	14	(181)	(183)
Share of profit of associates	13	4,290	3,042
CONSOLIDATED PROFIT/(LOSS) BEFORE TAX		**264,131**	**259,410**
Income tax	25	(34,157)	(83,591)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS		**229,974**	**175,819**
Profit/(loss) after tax for from discontinued operations	7	0	0
GROUP PROFIT/(LOSS) FOR THE YEAR		**229,974**	**175,819**
Attributable to:			
Equity holders of the parent		**220,600**	**169,724**
Non-controlling interests		9,374	6,095
		229,974	**175,819**

	Note	2017	2016
Earnings per share (euros)	18		
- From continuing operations			
Basic		1.434	1.103
Diluted		1.434	1.103
- From profit for the period			
Basic		1.434	1.103
Diluted		1.434	1.103

The accompanying notes 1 to 31 are an integral part of the consolidated income statement for the year ended December 31, 2017.

EBRO FOODS, S.A. GROUP
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(THOUSANDS OF EUROS)

	Note	2017 Gross amount	2017 Tax effect	2017 Net amount	2016 Gross amount	2016 Tax effect	2016 Net amount
1. Profit for the year				**229,974**			**175,819**
2. Other income and expense recognized directly in equity:		**-135,718**	**-2,665**	**-138,383**	**24,541**	**1,956**	**26,497**
2.1 Other comprehensive income to be reclassified to profit or loss in subsequent periods		**-137,448**	**1**	**-137,447**	**31,127**	**105**	**31,232**
Gains/(losses) on the measurement of available-for-sale financial assets	12	8	1	9	149	-22	127
Gains/(losses) on the measurement of available-for-sale financial assets reclassified to profit or loss	12	0	0	0	-509	127	-382
Translation differences	18	-137,456	0	-137,456	31,417	0	31,417
Translation differences reclassified to profit or loss during the reporting period		0	0	0	70	0	70
2.2 Other comprehensive income not to be reclassified to profit or loss in subsequent periods		**1,730**	**-2,666**	**-936**	**-6,586**	**1,851**	**-4,735**
Actuarial gains and losses	20	1,730	-2,666	-936	-6,586	1,851	-4,735
1+2 Total income and expense recognized during the year:	18			**91,591**			**202,316**
Attributable to:							
Equity holders of the parent	18			83,110			196,167
Non-controlling interests	18			8,481			6,149
				91,591			**202,316**

The accompanying notes 1 to 31 are an integral part of the consolidated statement of comprehensive income for the year ended December 31, 2017.

EBRO FOODS, S.A. GROUP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
THOUSANDS OF EUROS

	Total equity	Non-controlling interests	Equity attributable to equity holders of the parent: Total	Share capital	Share premium	Restricted: Reval. reserve	Restricted: Legal reserve	Unrestricted reserves: Retained earnings	Unrestricted reserves: Profit/(loss)	Interim dividend paid	Translation differences	Own shares
Balance at December 31, 2015	**1,992,916**	**26,657**	**1,966,259**	**92,319**	**4**	**3,169**	**18,464**	**1,594,122**	**144,846**	**0**	**113,335**	**0**
- Distribution of prior-period profit	**0**	0	**0**	0	0	0	0	144,846	-144,846	0	0	0
- Dividends paid (note 18)	**-84,573**	-1,487	**-83,086**	0	0	0	0	-83,086	0	0	0	0
- Reclassifications within reserves	**0**	-26	**26**	0	0	0	0	26	0	0	0	0
- Transactions with non-controlling interests	**-4,218**	-4,218	**0**	0	0	0	0	0	0	0	0	0
- Other movements in equity	**-40**	0	**-40**	0	0	0	0	-40	0	0	0	0
Total distribution of profit and transactions with shareholders	**-88,831**	**-5,731**	**-83,100**	**0**	**0**	**0**	**0**	**61,746**	**-144,846**	**0**	**0**	**0**
- Profit for the year (as per income statement)	**175,819**	6,095	**169,724**	0	0	0	0	0	169,724	0	0	0
- Change in translation differences	**31,417**	64	**31,353**	0	0	0	0	0	0	0	31,353	0
- Translation differences reclassified to profit or l	**70**	0	**70**	0	0	0	0	0	0	0	70	0
- Fair value of financial instruments:												
1. Unrealized gains/(losses)	**0**	0	**0**	0	0	0	0	0	0	0	0	0
2. Realized gains/(losses)	**-360**	0	**-360**	0	0	0	0	-360	0	0	0	0
- Change due to actuarial gains/(losses)	**-6,586**	-16	**-6,570**	0	0	0	0	-6,570	0	0	0	0
- Tax effect of other income and expenses	**1,956**	6	**1,950**	0	0	0	0	1,950	0	0	0	0
- Other movements in equity	**0**	0	**0**	0	0	0	0	0	0	0	0	0
Total income and expense recognized	**202,316**	**6,149**	**196,167**	**0**	**0**	**0**	**0**	**-4,980**	**169,724**	**0**	**31,423**	**0**
Balance at December 31, 2016	**2,106,401**	**27,075**	**2,079,326**	**92,319**	**4**	**3,169**	**18,464**	**1,650,888**	**169,724**	**0**	**144,758**	**0**
- Distribution of prior-period profit	**0**	0	**0**	0	0	0	0	169,724	-169,724	0	0	0
- Dividends paid (note 18)	**-87,823**	-120	**-87,703**	0	0	0	0	-87,703	0	0	0	0
- Costs of issuing/cancelling share capital	**-121**	0	**-121**	0	0	0	0	-121	0	0	0	0
- Gain/(loss) on own share sales	**-5**	0	**-5**	0	0	0	0	-5	0	0	0	0
- Tax effect of above movements	**30**	0	**30**	0	0	0	0	30	0	0	0	0
- Transactions with non-controlling interests	**11,852**	11,852	**0**	0	0	0	0	0	0	0	0	0
Total distribution of profit and transactions with shareholders	**-76,067**	**11,732**	**-87,799**	**0**	**0**	**0**	**0**	**81,925**	**-169,724**	**0**	**0**	**0**
- Profit for the year (as per income statement)	**229,974**	9,374	**220,600**	0	0	0	0	0	220,600	0	0	0
- Change in translation differences	**-137,456**	-876	**-136,580**	0	0	0	0	0	0	0	-136,580	0
- Translation differences reclassified to profit or l	**0**	0	**0**	0	0	0	0	0	0	0	0	0
- Fair value of financial instruments:												
1. Unrealized gains/(losses)	**8**	0	**8**	0	0	0	0	8	0	0	0	0
2. Realized gains/(losses)	**0**	0	**0**	0	0	0	0	0	0	0	0	0
- Change due to actuarial gains/(losses)	**1,730**	-23	**1,753**	0	0	0	0	1,753	0	0	0	0
- Tax effect of other income and expenses	**-2,665**	6	**-2,671**	0	0	0	0	-2,671	0	0	0	0
- Other movements in equity	**0**	0	**0**	0	0	0	0	0	0	0	0	0
Total income and expense recognized	**91,591**	**8,481**	**83,110**	**0**	**0**	**0**	**0**	**-910**	**220,600**	**0**	**-136,580**	**0**
Balance at December 31, 2017	**2,121,925**	**47,288**	**2,074,637**	**92,319**	**4**	**3,169**	**18,464**	**1,731,903**	**220,600**	**0**	**8,178**	**0**

The accompanying notes 1 to 31 are an integral part of the consolidated statement of changes in equity for the year ended December 31, 2017.

EBRO FOODS, S.A. GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
THOUSANDS OF EUROS

	Note (*)	2017	2016
Receipts from customers		2,573,738	2,569,706
Payments to suppliers and employees		(2,304,839)	(2,323,550)
Interest paid		(6,362)	(6,793)
Interest received		547	536
Dividends received		4,070	3,710
Other operating activity receipts / payments		13,082	17,320
Income tax paid	25	(83,517)	(75,268)
Net cash flows from operating activities	a)	**196,719**	**185,661**
Purchase of fixed assets	b)	(120,671)	(107,725)
Proceeds from sale of fixed assets	c)	10,885	26,066
Purchase of financial assets (net of cash acquired)	5	(37,065)	(40,265)
Proceeds from sale of financial assets		18,823	20,210
Other investment activity proceeds / purchases		-226	(3,011)
Net cash flows used in investing activities		**(145,254)**	**(104,725)**
Acquisition of own shares		(1,035)	(544)
Proceeds from the sale of own shares		498	39
Dividends paid to shareholders (including NCI holders)	d)	(93,771)	(85,676)
Proceeds from borrowings		590,994	490,913
Repayment of borrowings		(544,738)	(411,546)
Other financing activity proceeds / payments and grants		(254)	(1,369)
Net cash flows used in financing activities		**(48,306)**	**(8,183)**
Translation differences arising on cash flows from foreign companies		2,117	2,129
NET INCREASE in cash and cash equivalents		**5,276**	**74,882**
Cash and cash equivalents, opening balance		291,340	211,638
Effect of year-end exchange rate on opening balance		(27,205)	4,820
Cash and cash equivalents, closing balance	17	**269,411**	**291,340**

The accompanying notes 1 to 31 are an integral part of the consolidated statement of cash flows for the year ended December 31, 2017.

(*) The cross-references to the corresponding notes accompanying the consolidated financial statements are provided for qualitative purposes only; it is not always possible to provide cross-references to the precise amounts reported.

a) The year-on-year increase in cash flows from operating activities was driven by the growth in EBITDA derived from the income-statement impact of the widespread improvement in business momentum.

b) This balance, coupled with the 990 thousand euros of differences between the cash outflows and accrual for accounting purposes of the additions to property, plant and equipment and intangible assets, explain the movements in new investments disclosed in notes 9 and 10.

c) Corresponds to the amounts received from the sale of fixed assets arranged with deferred payments (note 12) and of investment properties (note 11).

d) This balance is made up of:

   - Dividends paid to shareholders of the Parent in the amount of 87,703 thousand euros.
   - Dividends paid to non-controlling shareholders and holders of stock options (put & call options) in the amount of 6,068 thousand euros.

1. GROUP INFORMATION

Ebro Foods, S.A., a Spanish public limited company (*sociedad anónima*), hereinafter the Parent or the Company, was created by the merger by absorption of Puleva S.A. into Azucarera Ebro Agrícolas S.A. on January 1, 2001. On the occasion of that transaction, Azucarera Ebro Agrícolas, S.A.'s name was changed to Ebro Puleva, S.A. Later, at the Annual General Meeting of June 1, 2010, its registered name was changed again to its current name: Ebro Foods, S.A.

The Company's current registered office is in Madrid (28046), at Paseo de la Castellana, 20.

The corporate object of its consolidated group (hereinafter, the Ebro Foods Group, the Ebro Group or the Group) is to perform the following business activities in Spanish and foreign markets:

a) The production, preparation, sale, research, export and import of all manner of food and dietary products for both human and animal consumption, in addition to energy food products, including their by-products and waste, and, in particular, rice, pasta, sauces and all manner of nutritional products.

b) The production, exploitation and sale of all manner of food, soft and alcoholic beverages.

c) The use of by-products and the provision of services or products of all types relating to the aforementioned activities, including refrigeration cabinets, ice, industrial gas, steam, cold and energy.

d) The acquisition, lease, creation, installation, development and management of industrial, farming and livestock facilities in the food, nutrition and beverage (including alcohol) industries.

e) The performance of projects and installation work and the provision of all manner of technical assistance to other companies in the aforementioned industries; the creation, development, protection and use of patents, trademarks and other assets susceptible to intellectual property protection.

f) Staff training, computer programming or management, investment and monetization of resources, advertising and image, transport, distribution and sale and marketing activities that are ancillary or complementary to the aforementioned activities.

The activities comprising the Group's corporate object may be carried on through the subscription or acquisition of shares or other equity interests in companies with an identical or similar corporate purpose.

The Group currently operates in Spain and internationally. The revenue breakdown by geographic market is provided with the segment reporting disclosures (note 6).

The 2016 consolidated financial statements were approved at the Annual General Meeting held by Ebro Foods, S.A. on June 1, 2017 and duly filed with Madrid's Companies Register.

The distribution of the profit of the Parent proposed by the directors of Ebro Foods, S.A. at a meeting of the Board of Directors on December 20, 2017 for submission for ratification at the upcoming Annual General Meeting is as follows:

Amounts relating only to the Parent's separate financial statements	Amount (thousands of euros)
Basis of appropriation	
Unrestricted reserves	558,823
Profit for the year (as per income statement)	58,101
	616,924

The profit generated by the Ebro Foods Group in 2017 makes it possible, as in prior years, to propose the payment of a cash dividend, with a charge against unrestricted reserves and profit for the year, of 0.57 euros per share, payable in the course of 2018, in a total amount of 87,703 thousand euros.

The dividend will be paid out in three equal instalments of 0.19 euros per share on April 3, June 29 and October 1, 2018.

Limitations on the distribution of dividends

Ebro Foods, S.A. is obliged to transfer 10% of profit for the year to a legal reserve until this reserve reaches an amount equal to at least 20% of share capital. This reserve cannot be distributed to shareholders unless it exceeds and only in the amount by which it exceeds this 20% threshold.

Once the legal and bylaw-stipulated requirements have been met, dividends may be distributed against profit for the year or freely distributable reserves so long as the value of equity is not lower than or would not fall below share capital as a result of the distribution. For these purposes, any profit recognized directly in equity may not be distributed either directly or indirectly. If prior-year losses were to reduce the Company's equity to below the amount of share capital, profit would have to be allocated to offset these losses.

2. BASIS OF PREPARATION AND COMPARABILITY OF THE INFORMATION INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements are presented in thousands of euros (unless expressly stated otherwise), the euro being the Ebro Foods Group's functional currency. Transactions performed in other currencies are translated into euros using the accounting policies outlined in note 3.

a) Basis of preparation

1. General accounting policies

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council.

The consolidated financial statements for the year ended December 31, 2017, which were authorized for issue by the Parent's directors on March 21, 2018, are pending approval by its shareholders at the Annual General Meeting; however, they are expected to be approved without modification. (Similarly, at the reporting date, the 2017 financial statements of Ebro Foods, S.A. and of its subsidiaries and associates had still to be ratified by their respective shareholders at the corresponding Annual General Meetings).

These financial statements have been prepared using the general historical cost measurement basis, except where the occasional IFRS requires performance of the corresponding revaluations.

2. Use of estimates and assumptions

The Parent’s directors are responsible for the information included in these consolidated financial statements.

In preparing the accompanying consolidated financial statements, they have relied on occasion on estimates made by the management of the various Group companies in order to measure certain of the assets, liabilities, income, expenses and commitments recognized therein. Essentially, these estimates refer to:

- Measurement of the recoverable amounts of assets and goodwill for impairment testing purposes.
- The assumptions used in the actuarial calculation of pension and similar liabilities and obligations.
- The useful lives of property, plant and equipment and intangible assets.
- The assumptions used to calculate the fair value of financial instruments and put options.
- The probability of occurrence and amount of liabilities of uncertain amounts and/or contingent liabilities.
- The recoverability of deferred tax assets.

Although these estimates were made on the basis of the best information available at the date of authorizing these consolidated financial statements for issue regarding the facts analyzed, future events could make it necessary to revise these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively, recognizing the effects of the changes in estimates in the related consolidated financial statements.

3. Materiality assessment

These consolidated financial statements omit information and disclosures that do not require detailed breakdown on account of their qualitative importance and were not deemed material or relevant in accordance with the materiality or significance concept defined in the IFRS Conceptual Framework, considering the consolidated financial statements of the Ebro Group as a whole.

b) Comparability

For comparative purposes, the Group presents, in addition to the figures for the year ended December 31, 2017, for each item in the consolidated balance sheet, consolidated income statement, consolidated statement of cash flows, consolidated statement of changes in equity, consolidated statement of comprehensive income and notes to the consolidated financial statements, the figures for the year ended December 31, 2016.

The following changes were made to the prior-year figures in order to make them comparable year-on-year:

- Accounting for the impact of the definitive amounts recognized in respect of the 'Harinas' business combination (a business acquired in Spain in July 2016; for further information see the 2016 consolidated financial statements) compared to the provisional amounts recognized at year-end 2016, once the opportune appraisals and analyses had been carried out in order to establish the definitive fair value of the net assets acquired. This accounting process implied the following reclassifications: the amount of intangible assets recognized was increased by 1,300 thousand euros; the amount of goodwill recognized was decreased by 975 thousand euros; and the amount of deferred tax liabilities recognized was increased by 325 thousand euros.

c) Changes in the scope of consolidation

Notes 4 and 5 detail the main changes affecting the consolidation scope in 2017 and 2016, outlining the corresponding consequences in terms of accounting methods used.

3. SIGNIFICANT ACCOUNTING POLICIES

The most significant accounting policies applied in the preparation of these consolidated financial statements are set out below:

a) Basis of consolidation

Subsidiaries

All of the companies over which the Group has control are fully consolidated in these financial statements. Control is the power to affect an investee's returns through the ability to direct its relevant activities.

When the Group acquires a business, that business's assets, liabilities and contingent liabilities acquired are measured at their acquisition-date fair values. The difference between the cost of the business combination and the fair value of the net assets acquired is recognized as goodwill if positive and as a gain on a bargain purchase in the income statement if negative. The results of companies acquired during the year are consolidated from the effective date of acquisition.

Non-controlling interests are determined at the acquisition date at their percentage interest in the fair value of the acquiree's recognized assets and liabilities or at their proportionate share of the fair value of the acquired business, i.e., including their share of goodwill.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All material intra-group balances relating to transactions between members of the Group are eliminated in full on consolidation.

Investments in associates

The Group's investments in associates (companies over which it has significant interest but not control) are accounted for using the equity method. Under the equity method, an investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of the net assets of the associate since the acquisition date, adjusted for impairment charges as necessary. The Group's share of the results of operations of its associates is recognized, net of the related tax effect, in the consolidated income statement or consolidated statement of other comprehensive income, as warranted.

b) Foreign currency translation: results and financial position of foreign operations

The Group companies' separate financial statements are expressed in each company's functional currency.

On consolidation, their assets and liabilities are translated into euros using the year-end exchange rate; income statement items are translated at the average exchange rate for the period; while share capital, share premium and reserve accounts are translated using the historical exchange rate. The exchange differences arising on translation for consolidation purposes of investments in foreign subsidiaries and associates are recognized in equity under "Translation differences".

If there are non-controlling interests in these subsidiaries, the related translation differences are recognized under “Non-controlling interests” within equity.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the reporting date.

On disposal of an investment in a foreign subsidiary or associate, the translation differences relating to that particular foreign operation, deferred in equity until the transaction date, are recognized in profit or loss.

c) Foreign currency translation: transactions and balances

Each Group company translates its transactions in foreign currencies to its respective functional currency using the rate prevailing on the transaction date. Differences arising on settlement of these transactions or translation of monetary assets and liabilities denominated in currencies other than each Group company's functional currency are recognized in profit or loss.

d) Cash and cash equivalents

Cash and cash equivalents are mainly certificates of deposit, short-term deposits, short-term marketable securities, short-term government bonds and other money market assets with a maturity of three months or less, and bank deposits with a maturity of more than three months from the date of acquisition but immediately drawable without incurring any kind of penalty. These assets are valued at cost, which is deemed a fair approximation of their realizable amount.

e) Property, plant and equipment and investment properties

Items of property, plant and equipment and investment properties are stated at the lower of:

- Acquisition (or production) cost, net of accumulated depreciation and accumulated impairment losses, if any.
- Their recoverable amount, i.e. the amount that will be recovered via the cash-generating units to which they belong or via their sale, capital appreciation or a combination of the two.

For items of property, plant and equipment and investment properties acquired in business combinations, acquisition cost equates to their fair value on the date that the Group obtained control, determined using appraisals carried out by independent experts, as detailed in section a) above.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is its carrying amount on the date of the change in use.

If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the reporting period in which they are derecognized.

In the event that management detects indications that these assets may be impaired, the corresponding impairment losses are recognized.

Borrowing costs directly attributable to the construction of a qualifying asset are capitalized as part of the cost of the asset until such assets are commissioned. Extension, upgrade or improvement costs that represent an increase in productivity, capacity or efficiency or an extension in the useful life of assets are capitalized as an increase in the cost of the corresponding assets. Upkeep and maintenance costs are expensed in the year they are incurred.

Items of property, plant and equipment are depreciated on a straight-line basis over their respective useful lives, taking into consideration actual depreciation sustained through operation, usage and wear and tear, as follows: The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year-end.

Depreciation rates	
Buildings and other structures	1.0% to 3.0%
Plant and machinery	2.0% to 20%
Other fixtures, tools and furniture	8.0% to 25%
Other items of PP&E	5.5% to 25%

Assets acquired under finance lease agreements, i.e., when the Group assumes substantially all the risks and rewards incidental to ownership, are capitalized, recognizing the present value of the total lease liability in tandem. Lease payments are apportioned between finance charges and principal (reduction of the lease liability) so as to achieve a constant rate of interest on the remaining balance of the liability. Leased assets are depreciated on a straight-line basis over the useful life of the assets, using the rates shown above.

Operating lease payments are recognized as an operating expense in the income statement on a straight-line basis over the lease term.

f) Intangible assets (excluding goodwill and greenhouse gas emission allowances)

Intangible assets are recognized at their acquisition or production cost, which is reviewed continually and written down for impairment, as warranted, as described in note 3.h) below. Intangible assets with finite lives are amortized; their residual values, amortization periods and amortization methods are reviewed annually. The assets included under this heading are the following:

- Development costs: The costs incurred on specific projects for the development of new projects for sale or internal use that are reasonably certain to be recovered are capitalized and amortized on a straight-line basis over the period of expected future benefit from its date of completion.

  Recovery is regarded reasonably assured when it is considered technically feasible and the Group has the ability and intention to complete the asset and use it or sell it and it is expected to generate future economic benefits.

- Trademarks, patents and licenses: Capitalized development expenditure is recognized under this heading when the corresponding patent or similar protection is obtained. This heading also includes new trademarks or brand names acquired from third parties (recognized at their acquisition cost) and those acquired in business combinations (recognized at their fair value on the date control is obtained). Based on an analysis of all the relevant factors, the Group has determined that there is no foreseeable limit to the period of time for which its most significant trademarks will generate cash inflows for the Group, which is why it has classified them as intangible assets with indefinite useful lives. Nevertheless, it reviews its trademarks' indefinite useful life assessment every year.

  Those that are amortized are amortized over their estimated useful life, which varies between 10 and 20 years.

- Computer software: Computer software includes the amounts paid for title to or the right to use computer programs and the costs incurred to develop software in-house, only to the extent that the software is expected to be used over several years. Software is amortized on a straight-line basis over its useful life, which is usually around three years.

Software maintenance expenses are expensed in the year incurred.

g) Goodwill

Goodwill is the excess of the consideration transferred in exchange for control of a business and the acquisition-date fair value of the share of the net assets acquired, including the portion attributable to non-controlling interests, as detailed above. Goodwill in respect of investments in associates is recognized in the consolidated balance sheet within 'Investments in associates', while any corresponding impairment losses are recognized under 'Share of profit of associates' in the consolidated income statement.

When the price of a business combination includes contingent consideration, the acquisition price includes the present value of such contingent consideration.

Goodwill is not amortized but is tested for impairment annually. Any impairment of goodwill indicated by such tests is recognized immediately in profit or loss and cannot be reversed in subsequent years.

Similarly, gains from a bargain purchase are recognized in the consolidated income statement once the Group has confirmed the fair value of the net assets acquired.

Whenever the Group disposes of a subsidiary or associate to which goodwill has been allocated, the amount of such goodwill is included in the carrying amount in order to determine the gain or loss on disposal.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill derecognized under these circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

h) Impairment of non-financial assets

The Group tests its assets for impairment every year.

If its impairment tests indicate that that an asset's recoverable amount is less than its carrying amount, the asset is written down to its recoverable amount by recognizing an impairment loss in the consolidated income statement. An asset’s recoverable amount is the higher of its realizable value and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using an appropriate discount rate.

If an asset being tested for impairment does not generate cash inflows that are largely independent of those from other assets or groups of assets, the impairment test is performed in respect of the group of assets to which it belongs (cash-generating unit or CGU).

The recoverable value of intangible assets with indefinite useful lives is reassessed annually (annual impairment test) or whenever there are indications that such assets may be impaired. The reversal of an asset impairment loss is recognized in the consolidated income statement.

i) Non-current assets held for sale and discontinued operations

Non-current assets classified as held for sale and discontinued operations are measured at the lower of their acquisition cost and fair value less costs of disposal.

Assets are classified into this category when their carrying amount is expected to be realized through a sale transaction, rather than through continuing use, the asset is available for immediate sale in its present condition and the sale is expected to qualify for recognition as a completed sale within one year.

j) Financial assets

Financial assets are recognized (and derecognized) on the effective transaction or trade date; they are initially recognized at fair value, which generally coincides with their acquisition cost, adjusted for transaction costs as warranted.

- <u>Investments</u>

  Investments are classified as:

  - Held-to-maturity financial assets: those with fixed or determinable payments and fixed maturity. The Group must have the positive intention and ability to hold these assets to maturity. This heading primarily includes deposits and guarantees. After initial recognition they are measured at amortized cost.

  - Financial assets at fair value through profit or loss: assets held for trading, i.e., with the objective of generating a profit from short-term fluctuations in price or dealer’s margin. After initial recognition they are measured at fair value to the extent this can be determined reliably. Net changes in these assets' fair value are presented in the consolidated income statement.

  - Available-for-sale financial assets: this category includes debt securities and equity instruments issued by other companies that have not been classified in any of the preceding categories. These assets are measured as follows:

Either: At fair value, when this can be determined reliably by means of (i) its quoted price or, in the absence thereof, recent benchmark transaction prices; or (ii) the present value of its discounted cash flows.

Unrealized fair value gains or losses are recognized in equity until the investment is derecognized, at which time the cumulative gain or loss recognized equity is reclassified to profit or loss.

If fair value is less than acquisition cost and there is objective evidence that the asset has become impaired and this impairment is not considered temporary, the difference is recognized directly in the consolidated income statement.

Or: In the event of unlisted securities, whose fair value cannot always be determined reliably, these assets are measured at their acquisition cost, less any impairment losses.

No financial assets were reclassified between the above financial asset categories in either 2017 or 2016.

- Other loans and credit

Non-trade loans and credit, whether current or non-current, are recognized at the amounts granted (amortized cost). The interest collected on these loans is accrued as interest income using the effective interest rate method.

Current non-trade loans are not usually discounted to their present value.

k) Trade and other receivables

Trade and other receivables are recognized at their face value, which coincides with their amortized cost. Impairment losses are estimated and recognized to provide for the risk of non-payment.

The balance corresponding to discounted bills is recognized through maturity under both trade and other receivables and bank borrowings (current financial liabilities).

l) Inventories

Inventories are measured at their weighted average acquisition or production cost.

The acquisition price includes the amount stated on the invoice plus all additional costs incurred until the goods are stored in the warehouse.

Production cost is determined by adding to the cost of acquiring raw materials and other consumables, manufacturing costs directly attributable to the product and the corresponding portion of indirect costs attributable to the product in question, to the extent such costs are incurred during the manufacturing period. If the selling price less estimated costs of completion and the estimated costs necessary to make the sale are less than the costs indicated above, the inventories are written down for impairment.

m) Deferred income - Grants

The grants received by the Group are accounted for as follows:

a. Non-repayable grants related to assets: grants are measured at the amount awarded and reclassified to profit and loss on a straight-line basis over a period of 10 years, which is roughly equivalent to the average period during which the assets financed by such grants are depreciated. They are presented on the liability side of the consolidated balance sheet.

b. Grants related to income: when a grant relates to an item of expense, it is recognized as income in the period that the costs it is intended to compensate are expensed.

n) Pension commitments and similar obligations

The Group manages several defined benefit and defined contribution pension plans. The cost of providing benefits under defined benefit plans is determined using the projected unit credit method.

The defined benefit commitment is calculated by independent actuarial experts annually for the most significant plans and regularly for the rest. The actuarial assumptions used to calculate the Group's obligations depend on each country's economic situation.

The various funds may be funded through an external fund or through internal provisions.

For defined benefit plans funded externally, any deficit in the fair value of the plan assets with respect to the present value of the obligation as a result of actuarial gains or losses is recognized directly in equity net of the related tax effect, and any changes in past service costs are recognized in profit or loss. A gain is only recognized in the consolidated balance sheet in respect of a surplus to the extent that it represents a future economic benefit, in the form of refunds from the plan or a reduction in future contributions.

Actuarial gains and losses arise mainly as a result of changes in actuarial assumptions or differences between estimated and actual variables.

In the case of defined benefit plans, the actuarial cost charged to the consolidated income statement is the sum of the current service cost, interest cost, the expected return on any plan assets and the past service cost, while any material actuarial gains and losses are recognized directly in retained earnings within equity.

Contributions to defined contribution plans are charged to the consolidated income statement when they are made.

Pursuant to the prevailing collective bargaining agreement and other non-binding agreements, Ebro Foods, S.A. (mainly) is obliged to pay bonuses for long service to certain of its permanent employees upon retirement at the legally-stipulated age or early retirement.

In accordance with the prevailing collective bargaining agreements and other non-binding agreements, the Riviana Group (USA) and certain European Group companies (mainly) are obliged to make annual supplementary payments of various kinds and other bonuses for long service and retirement, where applicable, to certain of their permanent employees upon retirement at the legally-stipulated age or early retirement.

The provision recognized represents the present value, calculated by means of actuarial studies, most of which performed by independent experts, of the future payment obligations of the companies concerned to their former and current employees in connection with the aforementioned retirement bonus obligations, net of the present value of the financial assets in which the related funds are invested. These plans are managed independently by a Management Committee made up of employees, executives and third parties.

In addition, certain Group companies grant their employees certain voluntary retirement bonuses of undetermined amount. These bonuses, which are scantly material, are recognized as an expense when they are paid. The other Group companies do not have similar obligations or have obligations that are scantly material.

o) Other provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

They are measured at the year-end estimate of the amounts (at their present value) that will be required to discharge probable or certain liabilities arising as a result of lawsuits or other outstanding obligations.

If an outflow of resources is considered possible but not probable, the Group does not recognize a provision but discloses the nature of said contingent liability in the notes to the annual financial statements.

Restructuring provisions are recognized only when the Group has a constructive obligation, which is deemed to exist when a detailed formal plan identifies the business concerned, the locations affected, the function and number of employees who will be compensated for terminating their services, a detailed estimate of the associated costs, and when it will be implemented, and a valid expectation has been raised among those affected that the restructuring will be carried out because the plan has started to be implemented or because the main features of the plan have been announced to those affected by it. These provisions are estimated on the basis of their economic substance and not just their legal form.

p) Financial liabilities - loans and borrowings

Loans and borrowings are classified by maturity: those maturing within less than twelve months from the reporting date are classified as current liabilities and those maturing within more than twelve months are classified as non-current liabilities.

All loans and borrowings are initially recognized at their original cost less associated arrangement costs. Subsequent to initial recognition they are measured at amortized cost. The interest generated by borrowings and all associated costs are recognized in the consolidated income statement using the effective interest rate method.

q) Income tax

Current tax expense is recognized in the consolidated statement of profit or loss, except for current income tax relating to items recognized directly in equity, the tax effect of which is recognized in equity.

Deferred tax is provided using the liability method. Under this method, deferred tax assets and liabilities are recognized on the basis of the temporary differences between the carrying amounts of the assets or liabilities and their tax bases and are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities that arise from items recognized in equity are directly credited to or charged against equity. Deferred tax assets and unused tax credits are recognized to the extent that it is probable that sufficient taxable profit will be available to allow the benefit to be utilized and they are written down if this expectation changes. Deferred tax liabilities associated with investments in subsidiaries and associates are not recognized unless the Parent has the power to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

r) Derivative financial instruments

The Group uses certain financial derivatives to manage its exposure to movements in exchange and interest rates. All of these derivatives are measured at fair value, regardless of whether or not they are designated as hedges, their fair value being their market value in the case of listed instruments, and valuations based on option valuation models or discounted cash flow analysis in the case of unlisted instruments. The following criteria are used for recognition purposes:

- Cash flow hedges: the gains and losses derived from the restatement to fair value at the reporting date of derivatives designated as hedges, to the extent effective, are recognized directly in equity (net of tax) until the committed or forecast transaction is realized, at which point they are reclassified to profit or loss.

  Gains and losses on ineffective hedges are recognized directly in profit or loss.

- Hedges of a net investment in a foreign operation: the gains and losses derived from the measurement at fair value of these investments in respect of the portion of the hedge deemed effective are recognized, net of tax, directly in equity under 'Translation differences' and are reclassified to profit or loss when the hedged investment is disposed of. Gains and losses on ineffective hedges are recognized directly in profit or loss.

- Accounting treatment for financial derivatives not designated as hedges or not qualifying for hedge accounting: the gains and losses arising from the restatement to fair value of these financial instruments are recognized directly in the consolidated income statement.

s) Revenue recognition

Revenue and expenses are recognized on an accrual basis. Revenue is the gross inflow of economic benefits during the period arising in the course of the Group's ordinary activities insofar as those inflows result in increases in equity, other than increases relating to contributions from equity participants, and the benefits can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable.

Revenue from services is only recognized when the outcome of a transaction involving the rendering of services can be estimated reliably and is recognized by reference to the stage of completion of the transaction at the end of the reporting period.

Revenue includes only the gross inflows of economic benefits received and receivable by the Group on its own account; amounts collected on behalf of third parties, such as in an agency relationship, are not recognized as revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction which generates revenue.

The Group recognizes non-financial asset purchase or sale agreements settled at the net amount in cash or through some other financial instrument at their net amount. Agreements entered into and held for the purpose of receiving or delivering such non-financial assets are recognized in accordance with the contractual terms of the purchase, sale or expected usage requirements.

Interest income is recognized using the effective interest method, by reference to the principal outstanding and the applicable effective interest rate.

t) Environmental disclosures

Expenditure incurred under initiatives taken or that have to be undertaken to manage the environmental effects of the Group’s business operations and that deriving from environmental commitments are considered environmental expenses.

Capitalized assets acquired or produced by the Group for the purpose of long-lasting use in its business operations and whose main purpose is to minimize environmental damages and/or enhance environmental protection, including assets intended to make the Group's operations less contaminating, are considered environmental assets. These assets are accounted for using the same criteria as items of property, plant and equipment.

u) Greenhouse gas emission allowances

The Group recognizes its greenhouse gas emission allowances as intangible assets with an infinite useful life. Allowances received for free under the various national allocation plans are measured at their fair value at the time of receipt and a deferred income balance is recognized in the same amount.

Since 2013 the Group is no longer obliged to meet allowance requirements and will therefore not be allocated additional free allowances.

v) Own shares

Own equity instruments that are reacquired (own shares or treasury shares) are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments.

w) New and amended standards and interpretations

The measurement standards (accounting policies) applied in preparing the accompanying consolidated financial statements are consistent with those used to prepare the 2016 consolidated financial statements with the exception of the following new and amended standards and interpretations:

1) Standards, amendments and interpretations adopted by the European Union for application in annual periods beginning on or after January 1, 2017:

New or amended standard or interpretation	**Date of application by the EU**
Amendments to IAS 7 *Statement of cash flows: Disclosure initiative*	January 1, 2017
Amendments to IAS 12 *Recognition of deferred tax assets for unrealized losses*	January 1, 2017

- Amendments to IAS 7 *Statement of cash flows: Disclosure initiative* The amendments to IAS 7 form part of the IASB's Disclosure Initiative and require reporters to provide relevant information that enables financial statement users to evaluate changes in liabilities arising from financing activities, distinguishing between changes that involve cash flows and changes that do not (such as foreign exchange gains or losses). Comparative information is not required in the year the amendments are first applied so that the Group has provided these disclosures for the current reporting period only in note 22.

- Amendments to IAS 12 *Recognition of deferred tax assets for unrealized losses* Application has not had any impact on the Group's financial situation or performance as it does not have any deductible temporary differences or assets falling within the scope of the amendments.

2) Standards and interpretations issued by the IASB not yet applicable in the current reporting period:

The Group intends to apply the following new standards, interpretations and amended standards issued by the IASB whose application is not mandatory in the European Union as at the date of issuing the accompanying consolidated financial statements when they are effective, to the extent applicable to the Group.

(THOUSANDS OF EUROS)

New or amended standard or interpretation	Date of adoption by the EU	Date of application in the EU
IFRS 9 *Financial instruments*	September 2016	January 1, 2018
IFRS 15 *Revenue from contracts with customers*	November 2016	January 1, 2018
IFRS 16 *Leases*	October 2017	January 1, 2019
IFRS 17 *Insurance contracts*	Pending	Pending
IFRIC 22 *Foreign currency transactions and advanced consideration*	Pending	Pending
IFRIC 23 *Uncertainty over income tax treatments*	Pending	Pending
Annual Improvements to IFRSs, 2014-2016 Cycle	Pending	Pending
Annual Improvements to IFRSs, 2015-2017 Cycle	Pending	Pending
Amendments to IAS 28 *Long-term interests in associates and joint ventures*	Pending	Pending
Amendments to IAS 40 *Transfers of investment property*	Pending	Pending
Amendments to IFRS 2 *Classification and measurement of share-based payment transactions*	Pending	Pending
Amendment to IFRS 4 *Applying IFRS 9 'Financial instruments' with IFRS 4 'Insurance contracts'*	November 2017	January 1, 2018
Amendments to IFRS 9 *Prepayment features with negative compensation*	Pending	Pending
Amendments to IFRS 15 *Amendments to the new revenue standard*	October 2017	January 1, 2018
Amendments to IFRS 10 and IAS 28 *Sales or contributions of assets between an investor and its associate/joint venture*	Pending	Pending

Although the Group is still in the process of analyzing their impact, based on the analysis performed to date, it estimates that their first-time application will not in general have an impact on its consolidated financial statements. However, of the developments itemized in the table above, the following standards are expected to imply certain impacts, albeit without materially changing the consolidated financial statements:

<u>IFRS 9 *Financial instruments*</u>

In July 2014, the IASB published the final version of IFRS 9 *Financial instruments*, which replaces IAS 39 *Financial instruments: measurement and classification* and all prior versions of IFRS 9. This standard consolidates the three phases of the financial instrument project: classification and measurement, impairment and hedge accounting. IFRS 9 is applicable for annual periods beginning on or after January 1, 2018.

Except for hedge accounting, IFRS 9 must be applied retrospectively (albeit without having to restate comparative information). The new hedge accounting requirements are generally applicable prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required application date and will not restate the comparative information. In 2017, the Group evaluated the impact of the three aspects of IFRS 9. It based its evaluation on currently-available information, which may be subject to change as a result of new information arising the course of 2018 when the Group adopts IFRS 9. In general, the Group does not expect application of IFRS 9 to have a significant impact on its statement of financial position or equity. Nor does it expect the new financial instrument impairment requirements to have a significant impact. The Group does expect to recognize a small increase in impairment losses, which will have a similarly small adverse impact on equity, as outlined below. In addition, the Group will change how it classifies certain financial instruments.

(a) Classification and measurement

The Group does not expect application of the new classification and measurement requirements under IFRS 9 to have a significant impact on its statement of financial position or equity. The Group does not currently have material amounts of financial assets at fair value and it expects to be able to continue to measure those that it does at fair value.

Albeit of insignificant amount, the Group expects to continue to hold its equity interests in unlisted investees for the foreseeable future. The Group will apply the option of presenting changes in their fair value in other comprehensive income, which is why it believes that application of IFRS 9 will not have a significant impact on this heading.

Its loans and trade receivables are held to collect their contractual cash flows which are expected consist solely of payments of principal and interest. The Group analyzed the characteristics of the cash flows from these instruments and concluded that they meet the criteria for measurement at amortized cost under IFRS 9. As a result, it will not have to reclassify these instruments.

(b) Impairment

IFRS 9 requires the Group to recognize expected credit losses (ECLs) in respect of all of its debt securities, loans and trade receivables either on a 12-month or lifetime basis. The Group will apply the simplified approach and recognize a loss allowance based on lifetime ECLs for all trade receivables. The Group has determined that, given the nature of its loans and receivables, its impairment losses will increase by a non-material amount (less than 0.5% of equity).

- IFRS 15 *Revenue from contracts with customers*

  IFRS 15 was published in May 2014 and amended in April 2016 and establishes a new five-step model applicable to the recognition of revenue from contracts with customers. Under IFRS 15, revenue must be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer.

  This standard repeals all prior revenue recognition related standards. IFRS 15 must be adopted using either a fully or modified retrospective approach. The standard is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required date of effectiveness. In 2017, the Group conducted a preliminary assessment of the impact of first-time application of IFRS 15. It based its evaluation on currently-available information, which may be subject to change as a result of new information arising the course of 2018 when the Group adopts IFRS 15. In general, the Group does not anticipate significant changes in its revenues or a significant impact on its statement of financial position or equity.

  The Group's core business is the sale of food products to end consumers and the supply of food-related raw materials to third parties. The new standard is not expected to have an impact on the Group's profits from contracts with customers under which the sale of finished food products and food-related raw materials is generally the only contractual obligation. The Group expects to recognize the related revenue when control of the asset is transferred to the customer, which is customarily when the goods are delivered.

- IFRS 16 *Leases*

  IFRS 16 was issued in January 2016. It replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an arrangement contains a lease*, SIC-15 *Operating leases - Incentives* and SIC-27 *Evaluating the substance of transaction in the legal form of a lease*. IFRS 16 establishes the rules for recognizing, measuring and presenting leases and the related disclosure requirements. It requires that all leases be accounted for using a single balance sheet model similar to that prescribed for finance leases under IAS 17. The new standard provides two lease recognition exceptions for lessees: (i) leases of low-value assets (e.g., personal computers); and (ii) short-term leases (i.e., leases with a term of 12 months of less). On the lease inception date, the lessor has to recognize a liability for the payments to be made under the lease (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees must recognize the interest corresponding to the lease liability and the expense associated with amortization of the right of use separately.

Lessees are also obliged to reassess the lease liability if certain events occur (such as a change in the lease term, a change in future lease payments or a change in the index or rate used to determine those payments). The amount of any such restatements will generally be recognized by the lessee by adjusting the right-of-use asset.

Lease accounting by lessors under IFRS 16 is not substantially different from the model currently prescribed under IAS 17. Lessors will continue to classify their leases using the same classification criteria as in IAS 17 and will recognize two classes of lease: operating and finance leases.

IFRS 16 also requires lessees and lessors to provide more extensive disclosures than under IAS 17.

IFRS 16 is effective in annual periods beginning on or after January 1, 2019. Lessees may choose between a full or modified retrospective transition approach. The standard provides certain transition relief.

The Group will continue to evaluate the potential impact of IFRS 16 on its consolidated financial statements in the course of 2018.

4. SUBSIDIARIES AND ASSOCIATES

Ebro Foods, S.A. has the following direct and indirect investments in subsidiaries and associates:

(THOUSANDS OF EUROS)

SUBSIDIARIES AND ASSOCIATES	Ownership interest, % YE17	Ownership interest, % YE16	Parent company YE17	Parent company YE16	Registered office	Business activity
Dosbio 2010, S.L.	100.00%	100.00%	EF	EF	Madrid (Spain)	Flour production
Fincas e Inversiones Ebro, S.A.	100.00%	100.00%	EF	EF	Madrid (Spain)	Agricultural holding
Arotz Foods, S.A.	100.00%	100.00%	EF	EF	Madrid (Spain)	Production of canned vegetables
Jiloca Industrial, S.A.	100.00%	100.00%	EF	EF	Teruel (Spain)	Production of organic fertilizer
Beira Terrace, Ltda.	100.00%	100.00%	EF	EF	Porto (Portugal)	Real estate (dormant)
Riviana Foods Inc. (Group) (Riviana)	100.00%	100.00%	EF	EF	Houston, Texas (US)	Production and sale of rice and pasta
Panzani, SAS (Group) (Panzani)	100.00%	100.00%	EF	EF	Lyon (France)	Production and sale of pasta and sauces
New World Pasta Comp. (Group) (NWP)	-	100.0%	EF	EF	Harrisburg (US)	Merged into Riviana Foods, Inc.
Ebro Germany, Gmbh. (Group) (EFG)	100.00%	100.0%	EF/Boost	EF/Boost	Hamburg (Germany)	Holdco
Ebro Alimentación México, S.A.	100.00%	100.0%	EF	EF	Mexico	Sale and marketing of rice
Networks Meal Solutions, S.A. (NMS)	100.00%	100.0%	EF	EF	Madrid (Spain)	Dormant
JJ. Software de Medicina, S.A. **(A)**	26.8%	26.8%	NMS	NMS	Madrid (Spain)	Dormant
Fundación Ebro Foods	100.00%	100.00%	EF	EF	Madrid (Spain)	Foundation
Ebro Financial Corporate Services, S.L.	100.00%	100.00%	EF	EF	Madrid (Spain)	Insurance and finance
Herba Foods S.L. (HF)	100.00%	100.00%	EF	EF	Madrid (Spain)	Investment management
Herba Ricemills S.L (HR)	100.00%	100.00%	EF	EF	Madrid (Spain)	Production and sale of rice
Herba Nutrición S.L (HN)	100.00%	100.00%	EF	EF	Madrid (Spain)	Production and sale of rice
Semola, S.r.l. (SEM)	100.00%	100.00%	EF	EF	Naples (Italy)	Investment management
Riso Scotti, S.p.a. (Group) **(A)**	40.0%	40.0%	EF	EF	Milan (Italy)	Production and sale of rice
Geovita Group	52.0%	-	EF	-	Vercelli (Italy)	Production and sale of pulses
Santa Rita Harinas, S.L. **(B)**	52.0%	52.0%	EF	EF	Guadalajara (Spain)	Production and sale of flour
Fallera Nutrición, S. L.	100.0%	100.0%	HN	HN	Valencia (Spain)	Production and sale of rice
Herba Germany, GmbH	100.0%	100.0%	EFG	EFG	Hamburg (Germany)	Trademark holdco
Euryza, Gmbh.	100.0%	100.0%	EFG	EFG	Hamburg (Germany)	Sale and marketing of rice
Transimpex, Gmbh **(B)**	55.0%	-	EFG	-	Hamburg (Germany)	Sale and marketing of rice
T.A.G. Nahrungsmittel Gmbh.	100.0%	100.0%	EFG	EFG	Stuttgart (Germany)	Dormant
Bertolini Import Export Gmbh.	100.0%	100.0%	EFG	EFG	Mannheim (Germany)	Dormant
Ebro Frost, Gmbh (Efrost)	55.0%	55.0%	HF	HF	Munich (Germany)	Investment management
Danrice A.S.	100.0%	100.0%	Efrost	Efrost	Orbaek (Denmark)	Production and sale of rice and pasta
Keck Spezializaten, Gmbh.	100.0%	100.0%	Efrost	Efrost	Munich (Germany)	Production and sale of rice and pasta
Ebro Frost UK, Ltd.	100.0%	100.0%	Efrost	Efrost	London (UK)	Production and sale of rice and pasta
Ebro Frost ENA, Inc.	100.0%	100.0%	Efrost	Efrost	Houston (US)	Production and sale of rice and pasta
S&B Herba Foods, Ltda. (Group)	100,0%	100,0%	HF/R. Int.	HF/R. Int.	London (UK)	Production and sale of rice
Riceland Magyarorszag, KFT.	100.0%	100.0%	HF/EF	HF/EF	Budapest (Hungary)	Sale and marketing of rice
Boost Nutrition C.V. (Boost)	100.0%	100.0%	HF / NC	HF / NC	Merksem (Belgium)	Production and sale of rice
Mundi Riso S.R.L.	100.0%	100.0%	HF	HF	Vercelli (Italy)	Production and sale of rice
Mundi Riz, S.A. (MR)	100.0%	100.0%	HF	HF	Larache (Morocco)	Production and sale of rice
Agromeruan, S.A.	100.0%	100.0%	MR	MR	Larache (Morocco)	Farmland concessionaire
Rivera del Arroz, S.A.	100.0%	100.0%	MR	MR	Larache (Morocco)	Rice farming
Katania Magrheb, S.A.R.L	100.0%	100.0%	MR	MR	Larache (Morocco)	Sale and marketing of rice
Arrozeíras Mundiarroz, S.A.	100.0%	100.0%	HF	HF	Lisbon (Portugal)	Production and sale of rice
Josep Heap Properties, Ltda.	100.0%	100.0%	HF	HF	Liverpool (UK)	Investment management
Risella OY	100.0%	100.0%	HF	HF	Helsinki (Finland)	Sale and marketing of rice
Bosto Poland, S.L.	100.0%	100.0%	HF	HF	Warsaw (Poland)	Sale and marketing of rice
Herba Bangkok, S.L. (Group) (HB)	100.0%	100.0%	HF	HF	Bangkok (Thailand)	Production and sale of rice
Herba Cambodia CO, Ltd	100.0%	100.0%	HB	HB	Cambodia	Sale and marketing of rice
Herba Egipto Rice Mills, S.A.E.	100.0%	100.0%	HF	HF	Cairo (Egypt)	Production and sale of rice
Herba Ricemills Rom, SRL	100.0%	100.0%	HF	HF	Romania	Sale and marketing of rice
Ebro India, Ltda.	100.0%	100.0%	HF	HF	New Delhi (India)	Production and sale of rice
Ebrosur, S.R.L.	100.0%	100.0%	HF	HF	Argentina	Sale and marketing of rice

(THOUSANDS OF EUROS)

SUBSIDIARIES AND ASSOCIATES	Ownership interest, %		Parent company		Registered office	Business activity
	YE17	YE16	YE17	YE16		
TBA Suntra UK, Ltd. **(B)**	75.5%	75.5%	HF	HF	Goole (UK)	Production and sale of rice
Ebro Rice Handling, S.A.	100.0%	100.0%	HF	HF	Merksem (Belgium)	Logistics
Ebro Foods Netherland, B.V. (EFN)	100.0%	100.0%	HF	HF	Amsterdam (Netherlands	Investment management
Lassie Netherland, B.V.	100.0%	100.0%	EFN	EFN	Amsterdam (Netherlands	Production and sale of rice
Lassie, B.V.	100.0%	100.0%	EFN	EFN	Amsterdam (Netherlands	Industrial operations
Lassie Property, B.V.	100.0%	100.0%	EFN	EFN	Amsterdam (Netherlands	Industrial operations
Herba Ingredients, B.V. (Grupo) (HI) **(B)**	80.0%	80.0%	EFN/HF	EFN/HF	Amsterdam (Netherlands	Holdco and sale of rice
Mediterranean Foods Label, B.V.	100.0%	100.0%	EFN	EFN	Amsterdam (Netherlands	Production and sale of rice
Nuratri, S.L.	100.0%	100.0%	HR	HR	Madrid (Spain)	Sale and marketing of rice
Nutramas, S.L.	100.0%	100.0%	HR	HR	Madrid (Spain)	Sale and marketing of rice
Nutrial, S.L.	100.0%	100.0%	HR	HR	Madrid (Spain)	Sale and marketing of rice
Pronatur, S.L.	100.0%	100.0%	HR	HR	Madrid (Spain)	Sale and marketing of rice
Vitasan, S.L.	100.0%	100.0%	HR	HR	Madrid (Spain)	Sale and marketing of rice
Yofres, S.A.	100.0%	100.0%	HR	HR	Seville (Spain)	Sale and marketing of rice
Herba Trading, S.A.	100.0%	100.0%	HR	HR	Seville (Spain)	Sale and marketing of rice
Formalac, S.L.	100.0%	100.0%	HR	HR	Seville (Spain)	Sale and marketing of rice
Eurodairy, S.L.	100.0%	100.0%	HR	HR	Seville (Spain)	Sale and marketing of rice
Española de I+D, S.A.	100.0%	100.0%	HR	HR	Valencia (Spain)	New product development and commercialization
American Rice, Inc. (ARI)	-	100.0%	Riviana	Riviana	Houston (US)	Riviana Foods, Inc.
Riviana International Inc. (R. Int.)	100.0%	100.0%	Riviana	Riviana	Houston (US)	Investment management
Ebro Riviana de Guatemala, S.L.	100.0%	100.0%	R. Int.	R. Int.	Guatemala	Investment management
Ebro de Costa Rica, S.L.	100.0%	100.0%	R. Int.	R. Int.	San José (Costa Rica)	Investment management
R&R Partnership **(A)**	50.0%	50.0%	Riviana	Riviana	Houston (US)	Production and sale of rice
N&C Boost N.V. (N.C. Boost)	100.0%	100.0%	R. Int.	R. Int.	Antwerp (Belgium)	Investment management
Les Traiteurs Lyonnais	99.8%	99.8%	Panzani	Panzani	Lyon (France)	Investment management
Lustucru Riz	99.9%	99.9%	LTL	LTL	Lyon (France)	In liquidation
Lustucru Frais	100.0%	100.0%	LTL	LTL	Lyon (France)	Production and sale of food
Roland Monterrat, SAS	100.0%	100.0%	LTL	LTL	Lyon (France)	Production and sale of flour and semolina
Alimentation Sante (AS)	100.0%	100.0%	Panzani	Panzani	Lyon (France)	Investment management
Celnat, S.A.	100.0%	100.0%	AS	AS	Lyon (France)	Production and sale of food
Vegetalia, S.A. & Satoki, S.L.	100.0%	-	AS	-	Lyon (France)	Production and sale of food
Panzani Development, S.A.	100.0%	100.0%	Panzani	Panzani	Lyon (France)	Investment management
S.F.C. Silo de la Madrague, SAS	100.0%	100.0%	Panzani	Panzani	Lyon (France)	Industrial operations
S.F.C. d'Investissements, SAS	100.0%	100.0%	Panzani	Panzani	Marseilles (France)	Industrial operations
TBA Suntra Beheer, B.V. (Group)	100.0%	100.0%	HI	HI	Netherlands and Belgiun	Production and sale of rice
Herba Ingredients, BVBA	100.0%	100.0%	HI	HI	Belgium	Industrial operations
Herba Ingredients Belgium B, BVBA	100.0%	100.0%	HI	HI	Belgium	Industrial operations
Herba Ingredients Belgium C, BVBA	100.0%	100.0%	HI	HI	Belgium	Industrial operations
Herba Ingredients Netherlands, BV	100.0%	100.0%	HI	HI	Netherlands	Industrial operations
Euro Rice Flour, BV	100.0%	100.0%	HI	HI	Netherlands	Dormant
Pastificio Lucio Garofalo, Spa. (GAROF) **(B)**	52.0%	52.0%	SEM	SEM	Naples (Italy)	Production and sale of pasta
Garofalo Nordic, AB.	100.0%	100.0%	GAROF	GAROF	Sweden	Sale and marketing of pasta
Garofalo USA, Inc.	100.0%	100.0%	GAROF	GAROF	New York (US)	Sale and marketing of pasta
Garleb, SAL.	70.0%	70.0%	GAROF	GAROF	Lebanon	Sale and marketing of pasta
Catelly Corp. (Ronzoni)	100.0%	100.0%	NWP	NWP	Montreal (Canada)	Production and sale of pasta and sauces
Garofalo France, S.A.	100.0%	100.0%	arof/Panza	arof/Panza	Lyon (France)	Sale and marketing of pasta and sauces

(A) Associates consolidated using the equity method

(B) Companies fully consolidated due to the existence of a commitment to acquire the rest of these investees' equity (for a description of these commitments, refer to note 26).

None of the subsidiaries or associates is publicly traded. The financial statements of all of the companies consolidated by the Group correspond to the same financial year-end, namely December 31, 2017 and 2016.

(THOUSANDS OF EUROS)

5. SIGNIFICANT TRANSACTIONS (BUSINESS COMBINATIONS, DISPOSALS, ETC.) CLOSED IN 2017 AND 2016 AND IMPACT ON COMPARABILITY

5.1 *Business combinations of entities under common control in 2017*

In December 2016, the Group merged several US-resident companies with the aim of simplifying and streamlining its structure in that market (Ebro North America) and reducing costs. That reorganization, which culminated in the merger of the Group's two main North American subsidiaries (Riviana Foods, Inc. and New World Pasta, Inc., the latter merging into the former) was structured as a tax-free reorganization in the US; the equivalent tax-neutral regime was availed of in Spain (specifically the regime provided for in Chapter VII of Title VII of Spain's Corporate Income Tax Act (Law 27/2014)). The merger took effect for legal and financial purposes from January 1, 2017. Ebro Foods, S.A. owned 100% of both companies (directly and indirectly), a percentage that has not changed since the merger.

5.2 *Business combinations of entities under common control in 2016*

In 2016, wholly-owned Group subsidiary Boost Nutrition, CV de-merged its ingredients business into a new company called Herba Ingredients Belgium B, BVBA, which was contributed to a different Group subsidiary, Herba Ingredients, BV.

5.3 Third-party business combinations undertaken in 2017 and 2016 and impact on comparability. Changes in consolidation scope:

The most significant changes in the Group's consolidation scope in 2017 are outlined below:

Companies added to the consolidation scope in 2017:			
Company affected	**Subgroup**	**%**	**Comments**
Vegetalia Group	Pasta	100%	Acquisition of 100% of this business
Geovita Group	Rice	52%	Acquisition of 52% of this business
Transimpex, GmbH.	Rice	55%	Acquisition of 55% of this business

Companies removed from the consolidation scope and changes in shareholdings in 2017:			
Company affected	**Subgroup**	**%**	**Comments**
New World Pasta, Inc.	Pasta	100%	Merged into Riviana (note 5.1)
American Rice, Inc.	Rice	100%	Merged into Riviana (note 5.1)

Acquisition of Vegetalia, S.A. and Satoki, S.L.

In January 2017, the Group acquired 100% of the share capital of Vegetalia, S.L. and Corporacio Alimentaria Satoki, S.L. (together, "Vegetalia") through its French subsidiary Alimentation Sante. The chain of restaurants operated under the Vegetalia trademark was carved out from the scope of the transaction.

Vegetalia has been making and distributing a broad range of organic products since 1986, having pioneered the manufacture of plant protein. Annually it sells around 1,500 products, ranging from fresh organic produce to dry organic foods, organic drinks and diet products. It generated revenue of 11.9 million euros in 2017.

Vegetalia is based in Castellcir (Barcelona) and it employs over 80 people at its complex. It also grows organic vegetables on around 70 hectares which it then consumes to make its products.

The Group's investment totaled 14.7 million euros. The acquisition was financed using a mix of equity and debt. The date on which the Group took effective control of this business - and also the date of its first-time consolidation - was January 1, 2017. The fair values of the assets acquired are shown in the summary table presented at the end of this note.

Acquisition of Geovita of Italy

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. The acquisition was financed from own funds. The date on which the Group took effective control of this business - and also the date of its first-time consolidation - was August 1, 2017. The fair values of the assets acquired are shown in the summary table presented at the end of this note.

In addition, it has arranged a call option over the remaining 48% (exercisable by the other shareholder over a 10-year period from July 2021). The price of this option 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.

Acquisition of Transimpex in Germany

In September 2017, through its wholly-owned German subsidiary, Ebro Foods, Gmbh., the Company directly acquired 55% of Germany's Transimpex, mbH., 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 (note 20), from which date the sellers are free to exercise their put option at the amount of the agreed deferred consideration plus 45% of retained earnings since the date of acquisition. The acquisition was financed from own funds. The date on which the Group took effective control of this business - and also the date of its first-time consolidation - was October 1, 2017.

The estimated fair value of the net assets acquired in the above-listed business combinations is provided in the table below; note, however, that the Group is still in the process of valuing and analyzing the various assets in order to determine the definitive fair value of the net assets acquired as of the date of first-time consolidation by the Ebro Group for definitive accounting purposes.

	Vegetalia	**Geovita**	**Transimpex**	
	Date of first-time consolidation			
	Jan 1, 2017	Aug 1, 2017	Oct 1, 2017	TOTAL
Thousands of euros	Fair value	Fair value	Fair value	Fair value
Intangible assets	3,714	3,007	87	6,808
Property, plant and equipment	1,837	13,197	742	15,776
Financial assets	24	0	0	24
Deferred tax assets	0	256	0	256
Inventories	791	5,298	4,216	10,305
Other current assets	2,482	8,621	9,347	20,450
Total assets	**8,848**	**30,379**	**14,392**	**53,619**
Deferred income	93	0	0	93
Provisions for pensions and similar obligations	0	1,039	1,216	2,255
Other provisions	0	14	0	14
Non-current financial liabilities	579	5,275	0	5,854
Deferred tax liabilities	791	1,744	0	2,535
Current financial liabilities	768	7,146	0	7,914
Trade payables	1,054	7,244	4,062	12,360
Other current liabilities	129	2,137	259	2,525
Total liabilities	**3,414**	**24,599**	**5,537**	**33,550**
Total identifiable net assets at fair value	**5,434**	**5,780**	**8,855**	**20,069**
Goodwill arising on acquisition	9,277	32,682	14,767	56,726
Purchase consideration transferred	**14,711**	**38,462**	**23,622**	**76,795**
Non-controlling interests	0	18,462	0	18,462
Financed with financial liabilities and cash	14,711	20,000	23,622	58,333
Purchase consideration transferred	**14,711**	**38,462**	**23,622**	**76,795**
Net cash (debt) acquired with the subsidiary	-249	-11,470	2,072	-9,647
Revenue since the acquisition date	11,963	17,722	13,584	43,269
Net profit contribution since the acquisition date	834	661	740	2,235
Revenue since January 1 (a)	11,963	46,500	50,900	109,363
Net profit contribution since January 1 (a)	834	2,200	2,500	5,534

(a) Estimate as if the businesses had been acquired on January 1, 2017

The goodwill generated represents the future economic benefits the Ebro Group expects to obtain as a result, mainly, of the synergies implied by integration of these businesses into its supply, logistics, industrial, sales and human resources platforms.

The most significant changes in the Group's consolidation scope in 2016 are outlined below:

Acquisition of Celnat, S.A.S. (France)

The Ebro Group, through its subsidiary Alimentation Sante, S.A.S. (100%-owned by Panzani, SAS), acquired 100% of France's Celnat, S.A., a pioneer in the organic food business and one of France's most important organic cereal producers, in January 2016.

Celnat, S.A.S. 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.

The Group's investment totaled 24 million euros. The acquisition was financed using a mix of own funds and borrowings. The Group took effective control of this business on January 1, 2016, which is also the date of its first-time consolidation. The fair values of the assets acquired as at January 1, 2016 are shown in the summary table presented at the end of this note.

Acquisition of Santa Rita Harinas, S.L. (Spain)

Ebro Foods, S.A. acquired a 52% ownership interest in Santa Rita Harinas, S.L. on July 13, 2016. The acquiree makes and markets flour and cooking mixes. Underpinned by a strong strategic commitment to R&D and innovation, it has become the leader in the premium packaged flour segment. Its factory is located in Loranca de Tajuña (Guadalajara) and it has 15 employees.

In total, the Group paid 5,778 thousand euros for its 52% interest, 4,778 thousand euros of which was paid in 2016; payment of remaining 1,000 thousand euros is subject to delivery of certain targets in respect of 2016, 2017 and 2018. The acquisition was financed from own funds. The Group took effective control of this business on July 13, 2016, which is also the date of its first-time consolidation.

In addition, the Group has arranged two options with the other shareholder over the remaining 48%, granting the seller a put option (exercisable from August 2019 with no expiry date) and the Ebro Group a call option (exercisable from August 2026 with no expiry date). The acquisition price in the event these options are 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 (note 26).

The fair value of the net assets acquired at July 13, 2016 is as follows:

Thousands of euros	Celnat	Harinas	TOTAL
	Date of first-time consolidation		
	Jan 1, 2016	July 13, 2016	
	Fair value	Fair value	Fair value
Intangible assets	4,977	1,300	6,277
Property, plant and equipment	10,950	476	11,426
Financial assets	37	0	37
Deferred tax assets	88	0	88
Inventories	4,596	272	4,868
Other current assets	4,806	1,546	6,352
Total assets	**25,454**	**3,594**	**29,048**
Deferred income	948	0	948
Provisions for pensions and similar obligations	256	0	256
Non-current financial liabilities	2,414	0	2,414
Deferred tax liabilities	2,294	325	2,619
Current financial liabilities	631	0	631
Trade payables	1,369	529	1,898
Other current liabilities	806	853	1,659
Total liabilities	**8,718**	**1,707**	**10,425**
Total identifiable net assets at fair value	**16,736**	**1,887**	**18,623**
Goodwill arising on acquisition	7,264	9,225	16,489
Purchase consideration transferred	**24,000**	**11,112**	**35,112**
Non-controlling interests	0	5,334	5,334
Financed with financial liabilities and cash	24,000	5,778	29,778
Purchase consideration transferred	**24,000**	**11,112**	**35,112**
Net cash (debt) acquired with the subsidiary	-1,492	651	-841
Revenue since the acquisition date	22,468	1,647	24,115
Net profit contribution since the acquisition date	1,473	255	1,728
Revenue since January 1 (a)	22,468	3,566	26,034
Net profit contribution since January 1 (a)	1,473	449	1,922

(a) Estimate as if the businesses had been acquired on January 1, 2016

The goodwill generated represents the future economic benefits the Ebro Group expects to obtain as a result, mainly, of the synergies implied by integration of these businesses into its supply, logistics, industrial, sales and human resources platforms.

Sale of the rice business in Puerto Rico and the US Virgin Islands

At the end of January 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. This disposal marked 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.

(THOUSANDS OF EUROS)

The transaction price was 12 million US dollars and the sale implied a pre-tax gain for the Ebro Group of 9,005 thousand euros (note 8).

There were no other significant changes in the Group's consolidation scope in 2016.

6. SEGMENT REPORTING

The operating segments are organized and managed separately by products and services; each segment represents a strategic business unit that sells different products and services different markets. Accordingly, the Group's segment reporting disclosures are articulated around its business segments, as the Group's risks and returns are shaped primarily by differences in the products and services provided.

Against this backdrop, the Ebro Foods is divided into the following business segments and/or activities:

- Rice business
- Pasta business
- Other businesses and/or activities

The Group structures its segment reporting disclosures around these businesses and/or activities. The financial information relating to these business segments is presented in the table provided at the end of this note.

Rice business

Herba Group: this group specializes in rice. The Ebro Group has established itself as Europe's leading rice group and one of the world's most important players. It boasts an extensive and modern manufacturing base and sales network, doing business in more than 70 markets.

It is the leading European player in rice retailing, the food service segment and in the supply of rice, rice derivatives and ingredients for industrial purposes. It follows a multi-brand strategy underpinned by a deep portfolio of successful brands that boast strong recognition in their operating markets. These high-profile brands include: SOS, La Fallera, La Cigala, Saludades, Lassie, Reis fit, Rix fis, Oryza, Bosto, Riceland, Risella, Peacock and Phoenix. The table below summarizes the Group's market shares in its main retail markets:

Country	By volume	By value	Ranking
Spain	22.8%	33.6%	#1
Portugal	18.3%	20.6%	#1
Germany	9.3%	16.1%	#2
Belgium	19.4%	25.4%	#2
Netherlands	22.8%	30.5%	#1

In parallel it supplies rice to Europe's leading food sector players:

- ✓ Beverage industries
- ✓ Industrial rice companies
- ✓ Baby food: cereals, baby food, etc.
- ✓ Pre-cooked dishes: non-refrigerated, dehydrated, frozen, etc.
- ✓ Animal and pet food

Riviana Rice Group: This is the unit specialized in the rice business in the US, specifically through Riviana Inc., the largest rice company in the US with rice processing and production facilities in Tennessee, Texas and Arkansas.

Riviana is the leading rice retailer in the US and boasts a variety of brands including Mahatma and Minute, leaders in the traditional and instant & microwaveable rice segments, respectively.

In 2015, the Group acquired the RiceSelect brand, thereby consolidating Riviana's presence in the specialty rice segment (aromatic rice, risottos, organic rice, etc.). RiceSelect boasts unique brand and product recognition.

The Group's overall market share in the US retail segment is 22.9% by volume; its footprint extends to growth segments such as aromatic and microwaveable rice.

This subgroup also has an international presence in markets with long-standing trade ties with the US, such as Mexico, several Caribbean nations and the Middle East, the latter through the Abu Bint brand, which is the leading player in the par-boiled rice segment in Saudi Arabia.

Pasta business

Panzani Group: This is the Group unit specialized in the pasta and sauces business. France's Panzani is the leading player in the dry pasta, fresh products, rice, semolina and sauce segments in France.

The sauce and fresh products line is a premium customer proposition and a segment in which Panzani is the undisputed leader in France. Its brands, Panzani and Lustucru, command 31.3% and 42.9% of the market by volume, respectively.

The fresh products line includes fresh pastas, pan-fry products, new risotto sauces, ready-to-eat fresh dishes and new fresh, potato-based specialties. It represents a growth segment and a launch pad for the Group's R&D effort. The acquisition of Roland Monterrat in 2015 reinforced the Group's presence in this market as the target specializes in fresh dishes, sandwiches, *pâté en croûte* and *croque-monsieurs*.

Panzani sells rice under two brands: Lustucru, devoted to conventional and quick-cook rice, and Taureau Ailé, specialized in exotic rice and the number-one player in this segment in France, with a share of 20.9% by sales volumes. Panzani sells semolina products under the Regia and Ferrero brands, which lead the market by sales volumes.

It is also the market leader in Belgium and the Czech Republic with shares of 7.85% and 13% (by volume), respectively, and exports pasta and semolina products, particularly to northern Africa and other French-speaking markets.

Garofalo Group: The Ebro Group acquired 52% of Italy's Pasta Garofalo on June 18, 2014. Pastificio Lucio Garofalo is steeped in over two hundred years of history and marries tradition and innovation in the premium pasta business. It is based in Gragnano (at the back of the Bay of Naples), the region considered the cradle of pasta on account of its special microclimate. It owns the Garofalo and Santa Lucia trademarks, among others.

This company has etched out a growth story during the past 15 years, transforming from a small-sized local player into a leader in the Italian premium dry pasta segment (share of 5.1% by volume and 7.6% by value). Its brands are sold in most European markets and the US and its Santa Lucía brand is a best-selling pasta brand in eastern Africa.

Riviana Pasta Group: the Group's leading unit in the dry pasta segment in the US and Canada. Its manufacturing base encompasses Montreal (Quebec), Fresno (California), Saint Louis (Missouri) and Winchester (Virginia). It follows a multi-brand strategy: its brands are strongly entrenched in their local markets; this company also commands an important presence in the health and well-being segments, in which it markets its products under the Healthy Harvest, Smart Taste, Garden Delight and Gluten Free trademarks.

New World Pasta boasts an extensive range of complementary and solid brands, including: Ronzoni, Skinner, Prince, American Beauty, San Giorgio, Creamette and No Yolks in the US, and Catelli, Lancia and Ronzoni in Canada. It commands overall market shares (by volume) in the US and Canada of 18.9% and 28%, respectively. Towards the end of 2013 it added Olivieri to this portfolio, a fresh pasta brand with a market share in Canada of 46.8%.

Other businesses and/or activities

The most notable activity in this category:

Asset management:

This unit manages the Group's property that is not used in the core businesses (investment properties). Its purpose is to centrally control all of the Group's properties with a view to remaining abreast of their status, reducing costs and selling off those not used for industrial purposes after taking action to maximize their valuation prior to monetization.

Criteria used to allocate amounts to reportable segments

The restructuring effort and initiatives undertaken by the Group in recent years have enabled it to scale each of its main business segments separately, thereby facilitating their management, decision-making and financial control. Accordingly, the allocation of consolidated expenses, income, assets and liabilities among the segments derives from the amounts that belong directly to each. It hasn't been necessary to establish criteria for allocating shared expenses and income or shared assets and liabilities among the segments other than in the US businesses for which certain expenses were allocated on a *pro rata* basis (as is common practice in these kinds of situations) between the US rice and pasta units. Against this backdrop, although the non-financial fixed assets and liabilities and working capital structures dovetail with the needs of each business or activity, the financial structure shown by segment is determined by internal financial management criteria in keeping with appropriate and necessary centralization and coordination at the Group level.

Inter-segment transactions

Although not material in relation to the total consolidated figures, inter-segment transactions have been eliminated for the purpose of determining the reportable segments' revenue, expenses and profits. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. Inter-segment transactions are eliminated on consolidation.

6.1 Geographic information

The geographic information is provided on the basis of the Group's assets. Revenue from external customers is based on the geographic location of the customers. The detailed descriptions of each of the Group's business segment provided above indicate the geographic areas in which each operates. A summary of the businesses and/or activities carried out by the Group by geographic areas is provided below:

- Spain: the Herba rice business, Harinas Santa Rita, Vegetalia and Satoki.
- Rest of Europe: essentially the businesses of Herba, Panzani (including Monterrat and Celnat), Garofalo and Geovita.
- US & Canada: the Riviana (including RiceSelect) business in the US and the Cateli and Olivieri businesses in Canada.
- Rest of world: essentially the rice business of Herba and some of the exports of Panzani, Riviana and Garofalo.

The breakdown of assets and revenue provided by geographic market below for continuing operations, without considering the place where the goods are produced, is provided in the next table:

2016 - Geographic market	Spain	Europe	Americas	RoW	TOTAL
Segment revenue	154,749	1,234,732	1,053,001	179,606	2,622,088
Inter-segment revenue	-6,414	-60,253	-96,095	-80	-162,842
Total revenue	**148,335**	**1,174,479**	**956,906**	**179,526**	**2,459,246**
Intangible assets	33,500	156,164	274,442	122	464,228
Property, plant and equipment	65,002	375,723	270,566	26,161	737,452
Other assets	298,559	1,054,195	978,309	113,060	2,444,123
Total assets	**397,061**	**1,586,082**	**1,523,317**	**139,343**	**3,645,803**
Capital expenditure	**7,228**	**73,828**	**20,620**	**7,042**	**108,718**

2017 - Geographic market	Spain	Europe	Americas	RoW	TOTAL
Segment revenue	174,172	1,288,513	992,359	187,368	2,642,412
Inter-segment revenue	-6,297	-64,506	-64,055	-585	-135,443
Total revenue	**167,875**	**1,224,007**	**928,304**	**186,783**	**2,506,969**
Intangible assets	44,057	151,853	232,200	138	428,248
Property, plant and equipment	67,126	397,973	262,724	30,916	758,739
Other assets	292,143	1,177,252	874,121	130,197	2,473,713
Total assets	**403,326**	**1,727,078**	**1,369,045**	**161,251**	**3,660,700**
Capital expenditure	**7,777**	**51,182**	**50,936**	**9,786**	**119,681**

6.2 Segment information by business

The following tables provide information on the revenue and earnings of continuing operations as well as certain asset and liability disclosures for the Group's reportable segments for the years ended December 31, 2017 and 2016.

REPORTABLE SEGMENT DISCLOSURES - CONTINUING OPERATIONS										
EBRO FOODS GROUP (Thousands of euros)	**TOTAL CONSOL. FIGURES**		**Rice business**		**Pasta business**		**EF Holdco**		**Other businesses & Consol. adjustments**	
INCOME STATEMENT	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
External revenue	2,506,969	24,59,246	1,294,335	1,229,119	1,202,296	1,220,081	4	3	10,334	10,043
Inter-segment revenue			50,691	54,734	15,989	16,147	5,702	5,442	-72,382	-76,323
Total revenue	**2,506,969**	**2,459,246**	**1,345,026**	**1,283,853**	**1,218,285**	**1,236,228**	**5,706**	**5,445**	**-62,048**	**-66,280**
Change in inventories	23,878	16,231	24,439	15,490	-472	458	0	0	-89	283
Own work capitalized	737	1,097	163	90	574	1,007	0	0	0	0
Other operating income	20,193	34,570	9,991	12,892	8,737	11,032	6,186	17,753	-4,721	-7,107
Raw materials and consumables used and	-1,331,011	-1,314,475	-780,778	-745,741	-607,800	-632,448	0	0	57,567	63,714
Employee benefits expense	-338,975	-331,443	-151,585	-141,681	-173,499	-176,863	-12,066	-11,193	-1,825	-1,706
Depreciation and amortization	-79,686	-76,833	-33,466	-32,703	-45,552	-43,545	-501	-451	-167	-134
Other operating expenses	-531,026	-523,785	-239,764	-222,960	-298,241	-302,574	-6,146	-4,189	13,125	5,938
Operating profit	**271,079**	**264,608**	**174,026**	**169,240**	**102,032**	**93,295**	**-6,821**	**7,365**	**1,842**	**-5,292**
Finance income	35,505	28,746	24,143	25,157	8,762	5,304	124,566	4,357	-121,966	-6,072
Finance costs	-46,562	-36,803	-31,476	-26,741	-7,102	-5,747	-10,777	-7,315	2,793	3,000
Impairment of goodwill	-181	-183	-181	-183	0	0	0	0	0	0
Share of profit of associates	4,290	3,042	3,755	7,614	0	0	0	0	535	-4,572
Consolidated profit (loss) before tax	**264,131**	**259,410**	**170,267**	**175,087**	**103,692**	**92,852**	**106,968**	**4,407**	**-116,796**	**-12,936**

REPORTABLE SEGMENT DISCLOSURES - CONTINUING OPERATIONS

EBRO FOODS GROUP (Thousands of euros)	TOTAL CONSOL. FIGURES		Herba Group Rice		North America Rice & Pasta		Europe Pasta		EF Holdco		Other businesses & Consol. adjustments	
BALANCE SHEET	YE17	YE16	YE17	YE16	YE17	YE16	YE17	YE16	YE17	YE16	YE17	YE16
Intangible assets	428,248	464,228	49,214	46,355	232,201	274,448	133,545	130,099	11,978	12,005	1,310	1,321
Property, plant and equipment	758,739	737,452	207,310	172,204	251,733	269,374	289,862	285,885	979	1,351	8,855	8,638
Investment properties	23,780	25,882	26,260	26,275	0	1,082	1	1	7,844	7,886	-10,325	-9,362
Financial assets	40,888	39,155	1,588	1,559	999	1,103	3,504	2,770	23,244	24,875	11,553	8,848
Investments in associates	36,755	37,299	7	91	58,566	58,805	0	0	1,402,580	1,380,199	-1,424,398	-1,401,796
Deferred tax assets	49,757	83,068	10,510	10,496	17,148	33,441	8,398	9,351	10,116	23,535	3,585	6,245
Goodwill	1,037,889	1,028,740	120,083	74,617	400,588	447,888	506,159	496,882	0	0	11,059	9,353
Other non-current assets	0	0	0	0	0	0	0	0	0	0	0	0
Accounts receivable from group companies	0	0	38,379	8,884	240,678	179,430	9,364	6,374	7,396	5,223	-295,817	-199,911
Other current assets	1,284,644	1,229,979	495,090	411,725	463,080	509,596	295,049	287,240	24,032	14,853	7,393	6,565
	3,660,700	**3,645,803**	**948,441**	**752,206**	**1,664,993**	**1,775,167**	**1,245,882**	**1,218,602**	**1,488,169**	**1,469,927**	**-1,686,785**	**-1,570,099**
Assets held for sale	0	0									0	0
Total assets	**3,660,700**	**3,645,803**									**-1,686,785**	**-1,570,099**
Total equity	2,121,925	2,106,401	590,947	514,832	1,434,096	1,461,383	749,886	744,792	736,317	731,918	-1,389,321	-1,346,524
Deferred income	4,051	4,749	246	303	464	788	3,338	3,651	0	0	3	7
Provisions for pensions and similar obligations	51,110	56,489	15,205	14,695	10,562	14,094	20,412	22,996	2,458	2,145	2,473	2,559
Other provisions	20,579	18,498	1,346	2,455	462	516	2,733	3,462	15,448	11,520	590	545
Non-current & current financial liabilities	782,547	737,450	169,657	93,723	0	0	195,978	169,292	396,606	468,714	20,306	5,721
Other non-financial liabilities	0	0	0	0	0	0	0	0	0	0	0	0
Deferred tax liabilities	219,250	299,500	17,174	12,972	100,030	182,466	54,504	60,578	46,596	42,777	946	707
Borrowings from group companies	0	0	22,697	16,086	9,077	5,218	7,847	7,864	283,045	205,731	-322,666	-234,899
Other current liabilities	461,238	422,716	131,169	97,140	110,302	110,702	211,184	205,967	7,699	7,122	884	1785
	3,660,700	**3,645,803**	**948,441**	**752,206**	**1,664,993**	**1,775,167**	**1,245,882**	**1,218,602**	**1,488,169**	**1,469,927**	**-1,686,785**	**-1,570,099**
Liabilities of non-current assets held for sale	0	0									0	0
Total liabilities	**3,660,700**	**3,645,803**									**-1,686,785**	**-1,570,099**
Capital expenditure for the year	119,681	108,718	43,112	38,936	40,253	19,436	35,660	49,726	283	484		
Capital employed	1,678,670	1,611,272	522,923	469,175	690,220	684,480	461,363	447,356	18,055	9,833		
ROCE	16.6	16.6										
Leverage	20.5%	19.4%										
Average headcount for the year	6,521	6,195										
Stock market data:												
Number of shares outstanding ('000)	153,865	153,865										
Market cap. at year-end	3,003	3,063	Millions of euros									
EPS	1.43	1.10										
Dividend per share (DPS)	0.57	0.54										
Underlying carrying amount per share	13.48	13.51										

Within "North America: Rice and Pasta", the breakdown of intangible assets and property, plant and equipment between the Rice and Pasta segments is as follows (thousands of euros):

	YE17			YE16		
	Rice	Pasta	TOTAL	Rice	Pasta	TOTAL
Intangible assets	125,173	107,028	232,201	143,374	131,074	274,448
Property, plant and equipment	152,272	99,461	251,733	179,960	89,414	269,374
	277,445	206,489	483,934	323,334	220,488	543,822

7. DISCONTINUED OPERATIONS

The Group did not have significant amounts of non-current assets held for sale at either year-end. No operations were classified as discontinued operations at the segment reporting level in either 2017 or 2016.

(THOUSANDS OF EUROS)

8. OTHER INCOME AND EXPENSE

8.1 Other operating income

		2017		2016
Government grants (related to income and grants)		716		744
Other operating income		8,333		8,228
Gains on disposal of fixed assets		1,470		212
Gains on disposal of investment properties		8,861		13,285
Gains on disposal of investees		0		9,005
Reversal of non-current asset impairment provisions		7		0
Other income		806		3,096
Insurance claims	0		1,059	
Reversal of provisions for other lawsuits	452		1,371	
Other less significant items	354		666	
		20,193		**34,570**

Other income includes the following less-recurring items in 2017:

- A gain of 8,861 thousand euros on investment properties sold (note 11): 6,065 thousand euros from the sale of the site of the former factory in Houston (USA); 2,746 thousand euros from the sale of a property in Portugal; and the rest from the sale of a small property in La Rioja (Spain).
- A gain of 1,477 thousand euros on items of property, plant and equipment sold (note 10), most notably a piece of property in Madrid.
- Income deriving from the reversal of provisions for lawsuits in the amount of 385 thousand euros and of long-term employee remuneration commitments of 67 thousand euros.
- The rest of other operating income relates to grants and minor other operating items.

Other income included the following less-recurring items in 2016:

- A gain of 9,005 thousand euros generated by the sale of the rice business in Puerto Rico and the US Virgin Islands.
- A gain of 13,285 thousand euros generated by the sale of a building in Madrid and a smaller property in Seville (investment properties).
- A gain of 212 thousand euros obtained on the sale and derecognition of items of property, plant and equipment.
- Income from insurance claims of 1,059 thousand euros.
- Income from the reversal of provisions for lawsuits of 1,371 thousand euros.
- The rest of other operating income related to grants and minor other operating items.

(THOUSANDS OF EUROS)

8.2 Other operating expenses

		2017		2016
External services		(402,801)		(380,408)
Advertising expenditure		(931,34)		(100,401)
Research and development costs		(1,237)		(1,108)
Taxes/levies other than corporate income tax		(14,475)		(13,570)
Loss on the disposal of fixed assets		(1,673)		(3,625)
Provision for the impairment of intangible assets (trademarks)		(9,477)		(7,947)
Other provisions and charges recognized		(8,229)		(16,726)
Provisions for lawsuits and disputes	(2,060)		(4,787)	
Industrial and logistics restructuring charges	(4,571)		(5,064)	
New business and investment acquisition costs	(1,415)		(1,170)	
Provision for commitments to employees	0		(5,337)	
Other less significant items	(183)		(368)	
		(531,026)		(523,785)

Other operating expenses include the following less-recurring items in 2017:

- A loss of 1,673 thousand euros recognized on the derecognition, sale or restructuring of several pieces of industrial equipment and plant.
- Expenses incurred in acquiring new businesses and investments not eligible for capitalization in the amount of 1,415 thousand euros.
- Charges for provisions and expenses for lawsuits with third parties in the amount of 2,060 thousand euros (note 21).
- A charge of 9,477 thousand euros for the impairment of several pasta brands in North America (note 9).
- Industrial restructuring charges and costs at certain centers totaling 3,864 thousand euros. This includes the cost of redundancies, expenses in respect of factories closed in prior years and logistical restructuring at warehouses. Non-recurring costs of 707 thousand euros derived from the effects of Hurricane Harvey on Houston (USA) and the surrounding area in September 2017.

Other operating expenses included the following less-recurring items in 2016:

- A loss of 3,625 thousand euros recognized on the derecognition, sale or restructuring of several pieces of industrial equipment and plant.
- Expenses incurred in acquiring new businesses and investments not eligible for capitalization in the amount of 1,170 thousand euros.
- Charges for provisions and expenses for lawsuits with third parties in the amount of 4,787 thousand euros.
- A charge of 7,947 thousand euros for the impairment of two pasta brands in North America.
- Industrial restructuring charges and costs at certain centers totaling 5,064 thousand euros. This includes the cost of redundancies, expenses in respect of factories closed in prior years and logistical restructuring at warehouses.

(THOUSANDS OF EUROS)

- A charge of 5,337 thousand euros in connection with the recognition of a provision for commitments to employees in France as a result of new labor legislation.

8.3 Finance income and costs

	2017	2016
Finance costs		
Third-party borrowings	(93,90)	(8,017)
Unwinding of discount on provisions for pensions and similar oblig	(1,346)	(1,181)
Losses on derecognition of financial assets and liabilities	0	-2
Impairment provisions on other financial assets	(1,603)	(1,176)
Expenses/losses related to derivatives and financial instruments	(8,966)	(1,458)
Exchange losses	(25,257)	(24,969)
	(46,562)	(36,803)
Finance income		
Third-party loans	4,105	2,047
Gains on derecognition of financial assets and liabilities	0	496
Reversal of financial asset impairment provisions	1,097	409
Gains on derivatives and financial instruments	1,921	3,398
Exchange gains	28,382	22,396
	35,505	**28,746**
Net finance income/(cost)	**(11,057)**	**(8,057)**

8.4 Employee benefits expense

The breakdown of employee benefits expense and the average Group headcount in 2017 and 2016 and at each year-end:

	2017	2016
Wages and salaries	(254,428)	(254,760)
Other benefit expense	(31,671)	(26,477)
Social security and similar costs	(43,453)	(41,713
Cost of post-employment and similar benefits	(9,423)	(8,493)
	(338,975)	**(331,443)**

(THOUSANDS OF EUROS)

AVERAGE HEADCOUNT

AVERAGE	MEN		WOMEN		
2017	FULL-TIME	PART-TIME	FULL-TIME	PART-TIME	TOTAL
Executives	149	1	62	0	212
Middle managers	438	10	224	16	688
Clerical staff	442	37	422	43	944
Support staff	967	323	317	114	1,721
Sales staff	190	25	85	6	306
Other staff	1,476	670	326	178	2,650
TOTAL	**3,662**	**1,066**	**1,436**	**357**	**6,521**

AVERAGE	MEN		WOMEN		
2016	FULL-TIME	PART-TIME	FULL-TIME	PART-TIME	TOTAL
Executives	140	1	43	0	184
Middle managers	438	8	200	14	660
Clerical staff	310	30	368	35	743
Support staff	613	313	200	80	1,206
Sales staff	174	19	72	35	300
Other staff	1,801	679	456	166	3,102
TOTAL	**3,476**	**1,050**	**1,339**	**330**	**6,195**

YEAR-END HEADCOUNT

YEAR-END	MEN		WOMEN		
2017	FULL-TIME	PART-TIME	FULL-TIME	PART-TIME	TOTAL
Executives	144	0	59	0	203
Middle managers	433	8	228	17	686
Clerical staff	446	40	426	43	955
Support staff	965	319	322	107	1,713
Sales staff	195	39	85	5	324
Other staff	1,480	581	327	191	2,579
TOTAL	**3,663**	**987**	**1,447**	**363**	**6,460**

YEAR-END	MEN		WOMEN		
2016	FULL-TIME	PART-TIME	FULL-TIME	PART-TIME	TOTAL
Executives	137	2	43	0	182
Middle managers	440	11	202	13	666
Clerical staff	323	34	370	27	754
Support staff	569	256	190	79	1,094
Sales staff	169	20	72	1	262
Other staff	1,850	627	477	233	3,187
TOTAL	**3,488**	**950**	**1,354**	**353**	**6,145**

As required under article 260 of the Corporate Enterprises Act, it is hereby disclosed that the number of people employed by the Group in 2017 (2016) with a disability of a severity of 33% or higher averaged 77 (82) men and 23 (29) women, all of whom in the clerical and support staff categories.

9. INTANGIBLE ASSETS

The reconciliation of the carrying amount of intangible assets at the beginning and end of 2017 and 2016, detailing the amortization and impairment provisions recognized and the movements recorded in each year, is provided below (in thousands of euros):

Carrying amounts	Development costs	Trademarks & patents	Computer software	Emission allowances	Intangible assets in progress	Total
Balance at December 31, 2015	282	452,129	5,515	89	2,315	**460,330**
Balance at December 31, 2016	0	456,344	5,695	89	2,100	**464,228**
Balance at December 31, 2017	0	420,850	5,802	89	1,507	**428,248**

Gross carrying amounts	Development costs	Trademarks & patents	Computer software	Emission allowances	Intangible assets in progress	Total
Balance at December 31, 2015	**643**	**463,591**	**42,217**	**89**	**2,315**	**508,855**
Business combinations		6,251	26			6,277
Business sales (exits)		(867)	(44)			(911)
Additions		13	4,010		(215)	3,808
Decreases	(557)		(165)			(722)
Translation differences		9,916	426			10,342
Assets held for sale						0
Transfers			0			0
Balance at December 31, 2016	**86**	**478,904**	**46,470**	**89**	**2,100**	**527,649**
Business combinations		6,771	37			6,808
Business sales (exits)						0
Additions		57	2,988		(583)	2,462
Decreases		(50)	(1,011)			(1,061)
Translation differences		(32,817)	(2,506)		(10)	(35,333)
Assets held for sale						0
Transfers			0			0
Balance at December 31, 2017	**86**	**452,865**	**45,978**	**89**	**1,507**	**500,525**

Amortization and impairment	Development costs	Trademarks & patents	Computer software	Emission allowances	Intangible assets in progress	Total
Balance at December 31, 2015	**(361)**	**(11,462)**	**(36,702)**	**0**	**0**	**(48,525)**
Business combinations						0
Business sales (exits)			44			44
Additions	(428)	(9,881)	(4,250)			(14,559)
Decreases	586	1	124			711
Translation differences		(705)	(387)			(1,092)
Assets held for sale						0
Transfers	117	(513)	396			0
Balance at December 31, 2016	**(86)**	**(22,560)**	**(40,775)**	**0**	**0**	**(63,421)**
Business combinations						0
Business sales (exits)						0
Additions		(10,944)	(2,719)			(13,663)
Decreases		41	709			750
Translation differences		1,448	2,609			4,057
Assets held for sale						0
Transfers						0
Balance at December 31, 2017	**(86)**	**(32,015)**	**(40,176)**	**0**	**0**	**(72,277)**

Movements in 2017

The most significant movements under this heading in 2017:

- An increase of 2,462 thousand euros in relation to new intangible assets, mainly software purchases.
- A decrease of 31,276 thousand euros due to exchange losses.
- A decrease of 4,186 thousand euros on account of amortization charges for the period.
- An increase of 6,808 thousand euros due to business combinations (note 5).
- A decrease of 9,477 thousand euros as a result of the impairment of several pasta brands in North America. As part of its procedure for testing its intangible assets for impairment, the Ebro Group tests its goodwill and other indefinite-lived intangible assets for impairment on an annual basis or whenever there are circumstances indicating that any of these assets may be impaired. Against this backdrop, the impairment tests performed in 2017 revealed a shortfall in the recoverable amounts of four pasta brands in North America, to which end the above-mentioned impairment charge was recognized (note 8).
- The Group also derecognized intangible assets with a carrying amount of 311 thousand euros in 2017; it did not transfer any intangible assets.

The most significant movements under this heading in 2016:

- An increase of 3,808 thousand euros in relation to new intangible assets, mainly software purchases.
- An increase of 9,250 thousand euros due to exchange gains.
- A decrease of 6,161 thousand euros on account of amortization charges for the year.
- An increase of 6,277 thousand euros due to business combinations.
- A decrease of 7,947 thousand euros as a result of the impairment of two pasta brands in North America.
- A decrease of 867 thousand euros due to the sale of brands in Puerto Rico.
- The Group also recognized impairment losses on other assets totaling 451 thousand euros and derecognized intangible assets with a carrying amount of 11 thousand euros in 2016; it did not transfer any intangible assets.

Trademarks

The trademarks and patents included within intangible assets were either acquired directly or via business combinations. Virtually all of these assets have been assessed as having an indefinite useful life and have been valued using the cost model.

(THOUSANDS OF EUROS)

The Group tested its most significant brands for impairment in 2017 and 2016 (these tests were mostly performed by independent experts - Duff & Phelps), as a result of which exercise the following brand-related carrying amounts were allocated to the following cash-generating units:

Segment	CGU: Trademarks	Number of trademarks	Balance at December 31, 2017		
			Gross	Impairment	Carrying amount
Herba rice	Herba Germany	2	21,065	(8,653)	12,412
Herba rice	Risella (Finland)	1	4,000	0	4,000
Herba rice	SOS Europe	3	39,724	0	39,724
Herba rice	Geovita	3	3,007	0	3,007
Herba rice	Transimpex	1	64	0	64
US rice	Riviana (US)	4	100,824	0	100,824
US rice	Riviana SOS (US)	4	15,688	0	15,688
US rice	RiceSelect	4	3,809	0	3,809
Pasta US	Riviana (US & Canada)	16	120,538	(17,227)	103,311
Pasta Europe	Panzani (France)	5	88,161	0	88,161
Pasta Europe	Panzani - Monterrat	1	2,677	0	2,677
Pasta Europe	Panzani - Vegetalia	4	3,700	0	3,700
Pasta Europe	Garofalo (Italy)	3	34,575	0	34,575
Other	Harinas (Spain)	1	1,300	0	1,300
			439,132	(25,880)	413,252
US rice	RiceSelect		5,801	(1,498)	4,303
US rice	RiceSelect - customer portfolio		1,568	(579)	989
Pasta US	Canada - customer portfolio		3,345	(1,911)	1,434
Other definite-lived trademarks and patents			3,019	(2,147)	872
			452,865	**(32,015)**	**420,850**

At year-end 2017, there are seven trademarks with an original aggregate cost of 51,786 thousand euros (year-end 2016: five brands with an original cost of 48,688 thousand euros) that have been written down for impairment by 25,880 thousand euros in total (year-end 2016: 17,521 thousand euros).

The recoverable amount of these trademarks was determined using cash flow projections that are typically derived from budgets that cover a five-year horizon and are then projected for another five years (using the royalty relief method).

The rates used to discount these assets' projected cash flows in 2017 range between: 7.3% and 7.8% in the US & Canada (2016: 8% - 8.4%); 7.3% in Germany (6.7%); 7.3% in France (7.2%); 8.5% in Spain (7.9%); 8.8% in Italy (8.4%) and 9.3% in Portugal (10.3%), depending on the business market of each brand or cash-generating unit. Cash flows beyond the initial 5-year budget horizon were extrapolated using the corresponding units' medium- to long-term growth rates, which are typically between 1.6% and 2.4% (2016: 1.2% - 2.3%), depending on the business.

With respect to the assumptions used to calculate these trademarks' value in use, management believes that no reasonably-possible change in the key assumptions used would cause their carrying amounts to exceed their recoverable amounts, with the exception of those already deemed impaired. More specifically, neither a 10% increase in the discount rates nor a 10% variation in the royalty rates used would trigger significant impairment charges.

10. PROPERTY, PLANT AND EQUIPMENT

The reconciliation of the carrying amount of the Group's property, plant and equipment at the beginning and end of 2017 and 2016, detailing the depreciation and impairment provisions recognized and movements recorded in each year, is provided below (in thousands of euros):

Carrying amounts	Land	Buildings	Plant and equipment	Other fixtures, tools & furniture	Other PP&E	PP&E under construction	Total
Balance at December 31, 2015	96,368	183,002	336,104	14,835	3,955	53,966	**688,230**
Balance at December 31, 2016	106,976	200,077	359,018	16,911	4,937	49,533	**737,452**
Balance at December 31, 2017	110,488	185,805	365,629	19,246	5,470	72,101	**758,739**

Gross carrying amounts	Land	Buildings	Plant and equipment	Other fixtures, tools & furniture	Other PP&E	PP&E under construction	Total
Balance at December 31, 2015	**96,785**	**317,634**	**900,932**	**47,999**	**14,114**	**53,966**	**1,431,430**
Business combinations	455	6,812	4,532	149	133	(655)	11,426
Business sales (exits)	0	0	0	(51)	(27)	0	(78)
Additions	7,801	25,547	69,399	4,007	2,064	(3,908)	104,910
Decreases	2,970	(2,207)	(30,909)	(573)	(422)	0	(31,141)
Translation differences	369	1,843	6,899	149	(218)	130	9,172
Transfers	0	(4)	3		1		0
Balance at December 31, 2016	**108,380**	**349,625**	**950,856**	**51,680**	**15,645**	**49,533**	**1,525,719**
Business combinations	3,310	5,697	5,781	248	489	251	15,776
Business sales (exits)							0
Additions	461	16,562	67,234	5,829	1,331	25,802	117,219
Decreases	(26)	(1,620)	(7,044)	(136)	(1,406)	0	(10,232)
Translation differences	(4,074)	(13,659)	(39,379)	(860)	(260)	(3,485)	(61,717)
Transfers	3,598	(938)	(5,887)	(3,729)	1,298	0	1,800
Balance at December 31, 2017	**111,649**	**355,667**	**971,561**	**60,490**	**17,097**	**72,101**	**1,588,565**

Amortization and impairment	Land	Buildings	Plant and equipment	Other fixtures, tools & furniture	Other PP&E	PP&E under construction	Total
Balance at December 31, 2015	**(417)**	**(134,632)**	**(564,828)**	**(33,164)**	**(10,159)**	**0**	**(743,200)**
Business sales (exits)	0	0	0	42	27		69
Additions	(182)	(12,198)	(54,188)	(3,157)	(911)		(70,636)
Decreases	31	(1,805)	28,493	566	429		27,714
Translation differences	0	(102)	(2,129)	(76)	93		(2,214)
Transfers	(836)	(811)	814	1,020	(187)		0
Balance at December 31, 2016	**(1,404)**	**(149,548)**	**(591,838)**	**(34,769)**	**(10,708)**	**0**	**(788,267)**
Business sales (exits)	0	0	0	0	0		0
Additions	(167)	(14,066)	(56,307)	(3,762)	(1,218)		(75,520)
Decreases	0	1,238	5,732	129	1,333		8,432
Translation differences	21	4,207	22,145	695	179		27,247
Transfers	389	(11,693)	14,336	(3,537)	(1,213)		(1,718)
Balance at December 31, 2017	**(1,161)**	**(169,862)**	**(605,932)**	**(41,244)**	**(11,627)**	**0**	**(829,826)**

The Group's policy is to take out all the insurance policies deemed necessary to cover risks that could affect these assets.

Additions under 'PP&E under construction' include the amounts corresponding to projects related to the production of new product ranges and, in general, the upgrade of the quality of the Group's industrial processes, products and its assets' environmental performance.

Note that in relation to certain investments made by the various Group companies in 2014 and prior years, the Group obtained grants, the amounts of which are disclosed in note 19.

No material items of property, plant or equipment are used other than for business purposes.

Movements in 2017

- A decrease of 34,470 thousand euros due to exchange losses.
- A decrease of 75,485 thousand euros on account of depreciation charges for the period.
- Additions of 117,219 thousand related to capital expenditure, essentially investments in technical upgrades, expansion work and new facilities at the Group's various factories.
- An increase of 15,776 thousand euros due to business combinations (note 5).
- In 2017, the Group also derecognized assets with a carrying amount of 1,772 thousand euros.

Movements in 2016

- An increase of 6,958 thousand euros due to exchange gains.
- A decrease of 70,636 thousand euros on account of depreciation charges for the year.
- Additions of 104,910 thousand related to capital expenditure.
- An increase of 11,426 thousand euros due to business combinations.
- In 2016, the Group also derecognized assets with a carrying amount of 3,436 thousand euros.

In 2017, the Group recognized 75,485 thousand euros of depreciation charges in respect of its property, plant and equipment (2016: 70,636 thousand euros) and 35 (2016: zero) of impairment losses on these assets in its consolidated income statement.

The derecognition of items of property, plant and equipment in 2017 generated losses, on the one hand, of 1,673 thousand euros (2016: 3,625 thousand euros) and gains of 1,477 thousand euros (2016: 212 thousand euros), on the other (note 8.1).

11. INVESTMENT PROPERTIES

The reconciliation of the carrying amount of the Group's investment properties at the beginning and end of 2017 and 2016, detailing the depreciation and impairment provisions recognized and movements recorded in each year, is provided below (in thousands of euros):

(THOUSANDS OF EUROS)

Carrying amounts	Land	Buildings	Total
Balance at December 31, 2015	23,941	5,986	**29,927**
Balance at December 31, 2016	23,974	1,908	**25,882**
Balance at December 31, 2017	22,884	896	**23,780**

	Gross carrying amounts			Amortization and impairment		
	Land	Buildings	Total	Land	Buildings	Total
Balance at December 31, 2015	**24,525**	**15,781**	**40,306**	**(584)**	**(9,795)**	**(10,379)**
Business combinations			0			0
Business sales (exits)			0			0
Additions			0		(36)	(36)
Decreases		(5,034)	(5,034)		990	990
Translation differences	33	2	35			0
Transfers			0			0
Balance at December 31, 2016	**24,558**	**10,749**	**35,307**	**(584)**	**(8,841)**	**(9,425)**
Business combinations			0			0
Business sales (exits)			0			0
Additions			0		(14)	(14)
Decreases	(1,018)	(5,992)	(7,010)		4,994	4,994
Translation differences	(72)		(72)			0
Transfers			0			0
Balance at December 31, 2017	**23,468**	**4,757**	**28,225**	**(584)**	**(3,861)**	**(4,445)**

The depreciation charge recognized in 2017 amounted to 14 thousand euros (2016: 36 thousand euros), while the impairment provisions recognized totaled 0 thousand euros (2016: zero).

The most significant movements under this heading in 2017 relate to the sale of a number of investment properties: specifically, a site in Houston (USA), a property in Portugal and a small property in La Rioja (Spain), which between them generated a pre-tax net gain of 8,861 thousand euros (note 8.1).

The most significant movement under this heading in 2016 related to the sale of a property (a residential building) in Madrid and another smaller property in Seville, which between them generated a pre-tax gain of 13,285 thousand euros.

There are no restrictions on the monetization of the Company's investment properties or any proceeds from their disposal.

Investment properties are initially recognized at their acquisition cost. The investment properties with the most significant fair values correspond to the sites on which dismantled factories were located and some unoccupied buildings, located mainly in Spain.

These properties' fair values represent the values at which the assets can be exchanged on the date of valuation between knowledgeable, willing parties in an arm's length transaction, in keeping with the International Valuation Standards.

In determining their fair value, the properties are valued individually and separately and not as part of a portfolio of properties. In some instances, the Group used the benchmark valuations provided by independent appraisers (updated internally as warranted), while in others it used comparable valuation methodology to reflect the market paradigm and the prices at which assets with similar characteristics are being transacted, adjusting as needed for changes in economic circumstances arising since the comparable transaction dates. This effort is coordinated by the Asset Management Unit which, as indicated in note 6 above, is the business unit tasked with management and control of all of the properties that are not used in the Group's core business activities (investment properties), its remit being to remain abreast of their status, reduce costs and sell off those not used for industrial purposes after taking action to maximize their valuation prior to monetization. Against this backdrop, the inputs used to determine these properties' fair value should be deemed level 3 for IFRS fair value hierarchy purposes.

The fair value of the Group's investment properties at year-end 2017 was an estimated 58 million euros (year-end 2016: 68 million euros).

12. OTHER FINANCIAL ASSETS

The breakdown of this balance sheet heading at year-end 2017 and 2016 (in thousands of euros) is as follows:

	Year-end 2017			Year-end 2016		
	Total	Non-current	Current	Total	Non-current	Current
Assets held for trading:	**1,095**	**1,095**	**0**	**1,361**	**1,349**	**12**
Available-for-sale financial assets	**0**	**0**	**0**	**0**	**0**	**0**
Held-to-maturity investments:						
- Deposits and guarantees	**4,191**	**3,069**	**1,122**	**3,869**	**2,325**	**1,544**
Loans and receivables:						
- Loans to associates	0	0	0	0	0	0
- Loans to third parties	35,602	28,088	7,514	33,925	30,414	3,511
	35,602	**28,088**	**7,514**	**33,925**	**30,414**	**3,511**
TOTAL FINANCIAL ASSETS	**40,888**	**32,252**	**8,636**	**39,155**	**34,088**	**5,067**

Loans to third parties

The year-on-year movement in the balance of loans to third parties in 2017 is the result of repayments collected in accordance with the loan schedules, as detailed below. The outstanding balance relates primarily to:

- The deferred portion of the purchase price for the Nomen brands under the agreement reached in 2012. That agreement was renegotiated in September 2014 to extend the collection term by a further two years and reduce the interest rate from 4.2% to 3.4% and then again in 2017, extending the term a further two years and leaving the interest rate intact at 3.4%. The non-current portion of this vendor loan is 21,885 thousand euros and the current portion, 1,211 thousand euros. This loan accrues interest at a rate of 3.4% and the last instalment is due in September 2029. The Nomen trademarks have been pledged as collateral to guarantee repayment of this loan.

- The deferred portion of the purchase price for the assets comprising the German pasta business under the terms of the agreement reached in December 2013, as amended in July 2014; the non-current portion of this vendor loan is 5,216 thousand euros and the current portion, 1,802 thousand euros. This loan accrues interest (between explicit and implicit interest) at a rate of 2.80%. The first instalment of the long-term tranche is due on September 30, 2019; it will be repaid in quarterly instalments from then until June 30, 2021. The trademarks sold have been pledged as collateral against the vendor loan and would be returned to the seller in the event of non-payment.

- The balance of current loans also includes 4,500 thousand euros corresponding to a portion of the price at which one of the Portuguese properties was sold (note 11). That balance was collected in full in early January 2018.

Of this heading, 34,640 thousand (year-end 2016: 32,860 thousand euros) is denominated in euros and 962 thousand euros (2016: 1,065 thousand euros) is denominated in US dollars.

The maturity schedule for these non-current loans is: 3,192 thousand euros in 2019, 3,307 thousand euros in 2020, 2,914 thousand euros in 2021, 1,496 thousand euros in 2022 and the remaining 17,179 thousand euros in 2023 and beyond.

13. INVESTMENTS IN ASSOCIATES

The movements under this heading in 2017 and 2016 (in thousands of euros) are shown below:

Associate	Balance at YE 2016	Additions due to investments	Decreases due to disposals	Dividends paid	Profit/(loss) for the year	Translation differences	Other movements	Balance at YE 2017
Riso Scotti, S.p.a.	31,374			(750)	800			31,424
Associates of Riviana Foods Inc.	5,829			(3,275)	3,490	(718)	0	5,326
Other companies	96						(91)	5
	37,299	**0**	**0**	**(4,025)**	**4,290**	**(718)**	**(91)**	**36,755**

Associate	Balance at YE 2015	Additions due to investments	Decreases due to disposals	Dividends paid	Profit/(loss) for the year	Translation differences	Other movements	Balance at YE 2016
Riso Scotti, S.p.a.	19,105	13,615		(509)	(837)			31,374
Associates of Riviana Foods Inc.	4,916			(3,162)	3,879	196	0	5,829
Other companies	31	65						96
	24,052	**13,680**	**0**	**(3,671)**	**3,042**	**196**	**0**	**37,299**

There was no significant movement under this heading in 2017. As for 2016, the most significant movement related to Riso Scotti, S.p.A. (the parent of the Italian Scotti group), in which the Ebro Group increased its interest from 25% to 40%.

The associates of Riviana Foods, Inc. do not have material amounts of assets, income, borrowings or employees. The Ebro Foods Group has not extended guarantees of material amount to any of its associates.

The most significant figures for the Scotti Group, using estimated financial statements at December 31, 2017, are as follows:

Thousands of euros	**YE 2016**	**Ye 2017**
Trademarks, other intangible assets and goodw	53,676	54,221
Property, plant and equipment	66,108	56,490
Other non-current assets	9,803	12,027
Current assets	67,603	69,124
Cash	18,230	25,311
Non-current, non-financial liabilities	(23,768)	(19,870)
Financial liabilities	(58,734)	(63,462)
Current, non-financial liabilities	(51,815)	(52,501)
Non-controlling interests	(2,668)	(2,779)
	78,435	78,561
Ownership interest acquired	40%	40%
	31,374	**31,424**
Revenue	220,300	264,600
Profit for the year	(2,092)	2,000
No. of employees	300	315

14. GOODWILL

The movements under goodwill in 2017 and 2016 (in thousands of euros) are shown below:

Segment	**CGU or groups of CGUs**	**YE 2016**	Additions	Decreases & other	Impairment losses	Translation differences	**YE 2017**
Herba rice	Danrice (Denmark)	14,524					14,524
Herba rice	Vogan (UK)	1,315				(43)	1,272
Herba rice	Riceland (Hungary)	2,125					2,125
Herba rice	Steve & Brotherton (UK)	1,726				(42)	1,684
Herba rice	Mundiriz (Morocco)	803			(181)	(33)	589
Herba rice	Suntra Group (Belgium & UK)	11,129				23	11,152
Herba rice	SOS business (Spain)	28,390					28,390
Herba rice	KECK (Germany)	14,606					14,606
Herba rice	Geovita (Italy)	0	32,682				32,682
Herba rice	Transimpex (Germany)	0	14,767				14,767
Riviana US	Riviana Group (US)	371,532				(42,854)	328,678
Riviana US	Riviana Group (Canada)	76,354				(4,447)	71,907
Panzani France	Panzani Group	439,833	9,277				449,110
Pasta Europe	Garofalo (Italy)	57,049					57,049
RoW	Jiloca, S.A.	129					129
RoW	Harinas Santa Rita	9,225					9,225
		1,028,740	**56,726**	**0**	**-181**	**(47,396)**	**1,037,889**
Total gross carrying amount		1,045,877	56,726			(47,396)	1,055,207
Accumulated impairment losses		(17,137)			-181		(17,318)

(THOUSANDS OF EUROS)

Segment	CGU or groups of CGUs	YE 2015	Additions	Decreases & other	Impairment losses	Translation differences	YE 2016
Herba rice	Danrice (Denmark)	14,524					14,524
Herba rice	Vogan (UK)	1,520				(205)	1,315
Herba rice	Riceland (Hungary)	2,125					2,125
Herba rice	Steve & Brotherton (UK)	1,928				(202)	1,726
Herba rice	Mundiriz (Morocco)	978			(183)	8	803
Herba rice	Suntra Group (Belgium & UK)	11,023				106	11,129
Herba rice	SOS business (Spain)	28,390					28,390
Herba rice	KECK (Germany)	14,606					14,606
Riviana US	Riviana Group (US)	293,148				9,639	302,787
Riviana US	Riviana Group (US)	67,120				1,625	68,745
Panzani France	Panzani Group	432,569	7,264				439,833
Pasta Americas	NWP Group - Canada	71,669				4,685	76,354
Pasta Europe	Garofalo (Italy)	57,049					57,049
RoW	Jiloca, S.A.	129					129
RoW	Harinas Santa Rita	0	9,225				9,225
		996,778	**16,489**	**0**	**(183)**	**15,656**	**1,028,740**
Total gross carrying amount		1,013,732	16,489			15,656	1,045,877
Accumulated impairment losses		(16,954)			(183)		(17,137)

The Group undertook several business combinations in 2017 and 2016. Note 5 outlines these transactions in detail. Other significant movements in both reporting periods include changes due to exchange differences on goodwill allocated mainly to the Group's US and Canadian subsidiaries.

The goodwill balances were generated by business combinations. These assets were tested for impairment at year-end 2017 and 2016 (by an independent expert, Duff & Phelps); the resulting values were allocated to the cash-generating units or groups of cash-generating units indicated in the table above.

To test these assets for impairment, the Group calculated the value in use of each cash-generating unit (CGU) by discounting the associated cash flows, generally projected for a period of five years, and their terminal value, in turn calculated by projecting the last year's cash flows by a perpetuity growth rate. The cash flow projections were based on historical information and the best estimates of the managers of each CGU. The resulting CGU fair values were additionally cross-checked using comparable multiple methodology.

The growth rates used to extrapolate the cash flow projections beyond the projection horizon and the discount rates applied to the cash flow projections for the most important CGUs in 2017 (2016) were:

- In the European rice and pasta businesses, a discount rate of 6.5% on average (2016: 6.4%) and a perpetuity growth rate of between 1.6% and 2.0% (1.4% - 1.7%). In Spain, the discount rate used was 7.8% (6.7%) and the growth rate applied was 1.8% (1.6%). In Italy, the discount and growth rates were 8.0% (7.1%) and 1.8% (1.2%), respectively.

- In the US rice and pasta businesses, a discount rate of 7.0% on average (7.3%) and a perpetuity growth rate of 2.4% (2.3%).

The key assumptions used to value each CGU include the average rate of sales revenue growth modeled, the compound average annual rate of growth in EBITDA, the trend in working capital expressed as a number of days of sales and average annual capital expenditure, modeled as a percentage of projected EBITDA.

As for the assumptions used to calculate the recoverable amount of the various CGUs to which goodwill has been assigned, management believes that no reasonably-possible change in the key assumptions used would cause their carrying amounts to exceed their recoverable amounts. More specifically, neither a 20% increase in the discount rates nor a 20% variation in the growth rates used would trigger significant impairment charges.

15. INVENTORIES

The breakdown of inventories at year-end 2017 and 2016 (in thousands of euros):

ITEM	YE 17	YE 16
Goods held for resale	15,061	11,122
Raw materials	237,429	230,261
Consumables and replacement parts	8,755	7,018
Containers	29,775	31,120
Work in progress	22,447	20,512
Finished goods	196,400	166,813
By-products and waste	4,712	4,321
Prepayments to suppliers	48,505	24,500
TOTAL GROSS CARRYING AMOUNT OF INVENTORIES	**563,084**	**495,667**
Inventory impairment provision	(4,094)	(6,846)
TOTAL CARRYING AMOUNT OF INVENTORIES	**558,990**	**488,821**

At both reporting dates, the balance of prepayments to suppliers presented on the face of the consolidated balance sheet mainly comprised payments made to rice growers and rice suppliers. In addition, the Group was contractually committed to the purchase of 96,522 thousand euros of rice from rice growers, cooperatives and exporters at year-end 2017 (81,314 thousand euros at year-end 2016). In addition, the Group was contractually committed to raw material purchases in the US, Canada, France and Italy totaling 87,779 thousand euros (year-end 2016: 119,319 thousand euros).

The net provision for inventory impairment recognized in 2017 was 1,847 thousand euros (2016: 3,277 thousand euros), while 4,212 thousand euros of previously recognized provisions were utilized (2016: thousand euros); exchange losses on inventories amounted to 387 thousand euros (155 thousand euros in 2016).

16. TRADE AND OTHER RECEIVABLES

The breakdown of this heading at year-end 2017 and 2016 (in thousands of euros):

ITEM	YE 17	YE 16
Trade receivables	375,141	369,808
Due from associates	1,399	865
Sundry receivables	9,683	12,636
Provision for impairment	(8,154)	(7,867)
TOTAL	**378,069**	**375,442**

For terms and conditions relating to related-party receivables, refer to note 27. Trade receivables are non-interest bearing and are generally on terms of 30 to 85 days. As at December 31, 2017, the ageing analysis of trade receivables is as follows:

Ageing analysis	Gross	Provision for impairment	Net carrying amount
Less than 3 months	347,878	(1,889)	345,989
Past due by between 3 and 6 months	20,498	(404)	20,094
Past due by between 6 and 12 months	2,222	(405)	1,817
Past due by between 12 and 18 months	186	(107)	79
Past due by between 18 and 24 months	214	(112)	102
Past due by > 24 months	4,143	(4,112)	31
	375,141	**(7,029)**	**368,112**

No material amounts of trade and other receivables were past due at year-end and not impaired.

In 2017, the Group recognized net provisions for the impairment of trade and other receivables of 243 thousand euros (2016: 462 thousand euros), utilized 912 thousand euros (2016: 276 thousand euros), added 813 thousand euros as a result of business combinations (126 thousands euros) and recognized exchange losses on receivables of 143 thousand euros (exchange gains of 4 thousand euros).

17. CASH AND CASH EQUIVALENTS CASH AND SHORT-TERM DEPOSITS

The breakdown of this heading at year-end 2017 and 2016 (in thousands of euros):

ITEM	YE 17	YE 16
Cash on hand and at banks	268,439	291,030
Short-term deposits and cash equivalents	972	310
TOTAL	**269,411**	**291,340**

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of the Group's cash and cash equivalents was 269,411 thousand euros at year-end 2017 (291,340 thousand euros at year-end 2016). Throughout the year the Group companies invested their occasional cash surpluses in repos and equivalent securities in order to generate a return on these balances. These investments are mainly denominated in euros, with a portion denominated in US dollars. The average annual return earned on these investments was around 0.45% in 2017 (2016: 0.35%).

18. SHARE CAPITAL, RESERVES, EARNINGS PER SHARE AND DIVIDENDS

18.1 Capital and reserves

Capital

The Parent's issued capital consisted of 153,865,392 fully subscribed and paid bearer shares with a par value of 0.60 euros each at both year-ends. The Company's shares are traded on the Spanish stock exchanges.

The shareholders with direct or indirect interests of more than 3% in the capital of Ebro Foods, S.A. at December 31, 2017 (2016), based on information furnished by the said shareholders to Spain's securities market regulator, the CNMV, and to Ebro Foods, S.A., are as follows:

- Grupo Tradifín, S.L., which directly holds 12,248,809 (12,248,809) shares, representing a 7.96% interest (7.96%).
- Hercalianz Investing Group, S.L., which directly holds 12,248,809 (12,248,809) shares, representing a 7.96% interest (7.96%).
- Sociedad Anónima Damm: indirect holder, via Corporación Económica Damm, S.A., of 17,705,610 (17,613,610) shares, representing a 11.51% (11.45%) interest.
- Sociedad Estatal de Participaciones Industriales: indirect holder, via Alimentos y Aceites, S.A., of 15,940,377 (15,940,377) shares, representing a 10.36% (10.36%) interest.
- Corporación Financiera Alba, S.A., which directly holds 18,467,963 (15,400,000) shares, representing a 12.00% (10.01%) interest.
- Empresas Comerciales e Industriales Valencianas, S.L., which directly holds 12,042,637 (11,808,970) shares, representing a 7.83% (7.68%) interest.

Share premium

As for the share premium, the Consolidated Text of the Spanish Corporate Enterprises Act permits the use of the share premium account balance to increase share capital and provides no specific limitation with respect to its availability. Virtually all of the share premium account was distributed in 2009 by means of the distribution of an in-kind special dividend paid in own shares.

Restricted reserves

Spanish enterprises that generate a profit are required to earmark 10% of net profit for the year to a legal reserve until such reserve is equivalent to 20% of share capital. The legal reserve cannot be distributed except in the event of dissolution but it can be used to offset losses insofar as other reserves are not available for this purpose, and to increase capital by the amount that exceeds 10% of capital after the increase. The Parent had fully endowed its legal reserve at both year-ends.

As for the restrictions on the reserves of the Group's subsidiaries, it is worth noting the existence of legal reserves at the Spanish subsidiaries and some of the international subsidiaries totaling approximately 23.5 million euros (23.3 million euros at year-end 2016) that are subject to the same regime as the Parent's legal reserve, as detailed above. The portion of such reserves arising on consolidation is included under retained earnings.

Consolidated retained earnings includes 38,531 thousand euros (year-end 2016: 38,531 thousand euros) corresponding to Herba Foods S.L. In addition, certain foreign subsidiaries have retained earnings which have not been distributed since consolidation within the Ebro Group. In both instances, the distribution of such retained earnings is contingent upon payment of the corresponding income tax or withholdings. Note that the taxable event - income tax or withholdings - would accrue whenever such distribution is ratified, something not expected to occur in the short or medium term.

Translation differences - foreign exchange translation differences reserve

The foreign exchange translation differences reserve is used to recognize the exchange differences arising from the translation of the financial statements of foreign subsidiaries. It is also used to recognize hedges of net investments in these entities.

The breakdown of translation differences at year-end by company (in thousands of euros) is provided below:

	YE 17	YE 16
Herba companies	(10,884)	(4,176)
RIVIANA Group (US)	19,309	149,051
Ebro Alimentación Mexico	(195)	(144)
Garofalo Group (Italy) - International business	(42)	27
Panzani Group (France) - International business	(10)	0
TOTAL	**8,178**	**144,758**

Own shares

In 2017, the Parent had the power to buy back and sell own shares under the scope of the authorization granted at the Annual General Meeting held on June 3, 2015 for a period of five years (and duly notified to the CNMV in keeping with prevailing legislation). In 2017, under the scope of the employee share plan, it bought back 51,673 shares, sold 25,000 and delivered 26,673 own shares to employees. The Parent did not hold any own shares as treasury stock at December 31, 2017.

In 2016, the Parent similarly 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 2016, it bought back 28,553 shares, sold 2,106 and delivered 26,447 own shares to employees. The Parent did not hold any own shares as treasury stock at December 31, 2016.

(THOUSANDS OF EUROS)

18.2 Earnings per share

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Parent (after adjusting for interest on non-cumulative redeemable and convertible preference shares, of which Ebro Foods, S.A. did not have any at either year-end) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares (Ebro Foods, S.A. did not have any dilutive potential ordinary shares at either year-end).

The following table reflects the income and share data used in the basic and diluted EPS computations:

	2017	2016
Profit from continuing operations attributable to ordinary equity holders of the parent	220,600	169,724
Loss from discontinued operations attributable to ordinary equity holders of the parent	0	0
Profit attributable to ordinary equity holders of the parent	220,600	169,724
Interest on non-cumulative convertible and redeemable preference shares	0	0
Profit attributable to ordinary equity holders of the parent adjusted for the effect of dilution (non-cumulative convertible and redeemable preference shares)	220,600	169,724

	2017 Thousands	2016 Thousands
Weighted average number of ordinary shares for basic EPS (*)	153,865	153,865
Effects of dilution from:		
Share options	0	0
Redeemable preference shares	0	0
Weighted average number of ordinary shares adjusted for the effect of dilution	153,865	153,865

(*) Takes into account the weighted average effect of movements in own shares during the year.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorization of these financial statements.

18.3 Dividends

Distribution of the dividends approved at the Annual General Meeting of June 1, 2017 at which the Company's shareholders ratified the motion to pay a cash dividend with a charge against unrestricted reserves and profit for 2016 of 0.57 euros per share, payable in the course of 2017.

The dividend was paid out in three equal instalments of 0.19 euros per share on April 3, June 30 and October 2, 2017.

(THOUSANDS OF EUROS)

Dividends declared, paid and proposed:	**2017**	**2016**
Dividends paid:		
Final dividend paid in 2016: 0.57 euros (2015: 0.54 euros)	87,703	83,086
	87,703	**83,086**
Proposed dividend subject to approval at the Annual General Meeting (not recognized as a liability at year-end)		
Dividend payable in 2017: 0.57 euros (2016: 0.57 euros)	87,703	87,703
	87,703	**87,703**

19. DEFERRED INCOME

This heading essentially includes grants relating to assets, greenhouse gas emission allowances received (up until 2013) and other items of deferred income that are not individually material.

The movements under this heading in 2017 and 2016:

	Government grants		Emission allowances		Other deferred income		TOTAL	
	2017	2016	2017	2016	2017	2016	2017	2016
Opening balance	3,899	3,341	63	63	787	1,014	4,749	4,418
Additions due to business combinations	93	948	0	0	0	0	93	948
Decreases due to disposals	0	0	0	0	0	0	0	0
Grants received	10	0	0	0	0	0	10	0
Additions due to GHG allowances	0	0	0	0	0	0	0	0
Other increases/decreases	(113)	(13)	0	0	0	0	(113)	(13)
Translation differences	(2)	(11)	0	0	(81)	21	(83)	10
Reclassified to profit or loss from continuing	(362)	(366)	0	0	(243)	(248)	(605)	(614)
Closing balance	**3,525**	**3,899**	**63**	**63**	**463**	**787**	**4,051**	**4,749**

The year-end balances mainly comprise government grants relating to assets awarded to various Group companies in relation to certain fixed asset investment projects (to date these companies have satisfied all the conditions attached to their grant).

The breakdown of grants by maturity is as follows:

GRANTS RELATING TO ASSETS	Pending reclassification to profit or loss			
	< 1 year	2-5 years	> 5 years	Total
Breakdown of closing balance by maturity	330	1,204	1,991	3,525

20. PROVISIONS FOR PENSIONS (POST-EMPLOYMENT BENEFITS) AND SIMILAR OBLIGATIONS

The reconciliation of the opening and closing balances under this heading (in thousands of euros) is as follows:

	2017 Total	2016 Total
Opening balance	**56,489**	**45,326**
Translation differences	(1,696)	(234)
Business combinations	2,255	256
Amounts utilized and benefits paid	(14,912)	(10,456)
Surplus provisions and employee departures	(65)	0
Amount provided for in the year for actuarial changes	(1,730)	6,586
Amount provided for in the year for unwind of discount	1,346	1,181
Amount provided for in the year for employee benefits exper	9,423	8,493
Amount provided for in the year for other operating expenses	0	5,337
Closing balance	**51,110**	**56,489**

The breakdown by type of post-employment commitment (in thousands of euros):

	YE 2017	YE 2016
Defined benefit obligations	23,672	27,945
Retirement bonuses and similar obligations	23,150	24,393
Senior management bonus schemes (note 27.7)	4,288	4,151
TOTAL	**51,110**	**56,489**

The types of commitments extended by company/segment are summarized below:

	Defined contribution pension commitments	Defined benefit pension commitments	Other defined pension commitments	Retirement bonuses	Long-service bonuses	Termination or retirement benefits
Ebro Foods, S.A. (Spain)					Yes (a)	
Riviana Group (US & Canada)	Yes	Yes (b)	Yes (b)			
Panzani Group (France)				Yes (a)	Yes (a)	Yes (a)
Boost (Herba) (Belgium)	Yes (c) 2007	Yes (c) 2006				Yes (a)
Herba Bangkok and Ebro India						Yes (a)
Garofalo (Italy)						Yes (a)
Geovita (Herba) (Italy)						Yes (a)
Mundiriso (Herba) (Italy)						Yes (a)
S&B Group (Herba) (UK)	Yes (d)	Yes (d)				
Ebro Germany (Germany)		Yes (a)		Yes (a)		
Euryza (Herba) (Germany)		Yes (a)				
Transimpex (Herba) (Germany)		Yes (a)				
Lassie Group (Herba) (Netherlands)	Yes (e)	Yes (e)				
Herba Ricemills (Spain)				Yes (a)		

(a) Obligations not externalized. Managed and provided for in-house. Except for Garofalo (Italy), which has externalized a portion of its obligations.
(b) These obligations are managed externally. The administration, management and investment decision-making with respect to these assets are performed by a committee that is independent from the Company's management.
(c) These became defined contribution obligations in 2007.

(THOUSANDS OF EUROS)

(d) Obligations to current employees were switched to a defined contribution benefit arrangement in 2007, while former employees continue to receive a defined benefit scheme.
(e) These became defined contribution obligations in 2014.

The next section outlines the most significant obligations on the basis of their relative materiality with respect to the overall obligation and/or because their specific circumstances warrant their individual disclosure.

20.1 Retirement bonuses and similar obligations

The breakdown by company or business is as follows:

	YE 2017	YE 2016
Panzani France Group (Panzani)	19,035	21,518
Herba Rice Group (Herba)	2,323	1,129
Garofalo (Italy)	539	541
Riviana American Group (Riviana)	894	852
Ebro Group Germany (Germany)	189	189
Ebro Foods, S.A.	160	155
Other minor obligations	10	9
SUBTOTAL	**23,150**	**24,393**

20.1.1 Ebro Foods, S.A.

The balance at year-end 2017 in respect of Ebro Foods, S.A. totals 160 thousand euros (year-end 2016: 155 thousand euros) and corresponds to the provision for the potential obligation to provide long-service bonuses to some of its employees. The Group is not legally required to externalize this obligation. The expense recognized in this respect was 5 thousand euros in 2017 (2016: 25 thousand euros).

20.1.2 Panzani Group companies

The Panzani Group companies have obligations to their employees, mainly in respect of retirement bonuses (provisions of 14,115 and 15,062 thousand euros at year-end 2017 and 2016, respectively) and long-service bonuses (provisions of 1,046 and 1,119 thousand euros at year-end 2017 and 2016, respectively) and, since 2016, provisions for termination benefits (3,874 and 5,337 thousand euros, respectively).

In 2016, France introduced a regulatory change to how companies must account for their termination commitments to employees, as a result of which the Ebro Group's French subsidiaries had to recognize a provision in the amount of 5,337 thousand euros in respect of past-service costs related to these commitments. The provision was recognized in the 2016 consolidated income statement.

These provisions were recognized based on actuarial calculations performed internally. The related net expenditure recognized in 2017 amounted to 133 thousands euros (2016: 2,542 thousand euros); note that 805 thousand euros was credited directly in equity as actuarial gains (2016: 1,455 thousand euros charged directly against equity as actuarial losses). These provisions are funded in-house, albeit not by specific assets. The interest rate applied in 2017 was 1.3% (1.2% in 2016).

20.1.3 Herba Group companies

The collective bargaining agreements applicable at the subsidiaries in Italy, Belgium, Thailand and India include termination benefit obligations (voluntary or otherwise) for their employees. These provisions were recognized based on actuarial calculations performed internally in some instances and externally in others. The related provisions stood at 1,984 thousand euros at year-end 2017 (year-end 2016: 868 thousand euros); the increase mainly reflects the first-time consolidation of the Geovita Group (Italy) in 2017. Expenditure in 2017 was 212 thousand euros (2016: 104 thousand euros).

In addition, some Herba Group subsidiaries (S&B Herba in the UK, Boost in Germany, Danrice in Denmark, TBA Suntra UK and Ebro Group Netherlands from 2014) have defined contribution pension plans for some of their employees under which they make an annual contribution based on a percentage of qualifying employees' salaries. Expenditure in 2017 was 1,339 thousand euros (2016: 1,458 thousand euros).

Lastly, in keeping with the rice sector's collective bargaining agreement, Herba Ricemills, S.L.U. has retirement bonus obligations that have been externalized under an insurance policy; the related provision at year end 2017 stood at 339 thousand euros (261 thousand euros at year-end 2016). Net expenditure in 2017 was 81 thousand euros (2016: zero).

20.1.4 Garofalo (Italy)

The applicable collective bargaining agreement includes termination benefit obligations (voluntary or otherwise) for employees. This obligation was externalized in 2008; the provision for the obligation funded internally and accrued until the date of externalization continues to be recognized through settlement. The provision is updated annually on the basis of external actuarial calculations. The related provision at year-end 2017 amounted to 539 thousand euros (541 thousand euros at year-end 2016). The discounting of this provision implied a finance cost of 10 thousand euros in 2017 (2016: 13 thousand euros), actuarial gains credited directly to equity of 3 thousand euros (actuarial losses charged against equity of 33 thousand euros in 2016) and payments totaling 9 thousand euros (2016: 34 thousand euros). The expense recognized in 2017 in respect of the obligation externalized since 2008 amounted to 395 thousand euros (2016: 379 thousand euros).

20.1.5 Ebro Group Germany

This company's business was sold to third parties at the end of 2013 and all its employees' contracts were transferred to the buyer. Accordingly the provisions were set up and recognized for accounting purposes for the services accrued by those employees until December 31, 2013.

In addition to the defined benefit obligations detailed below, these former Birkel Group companies accrued retirement bonus benefits until December 31, 2013 (giving rise to a provision of 189 thousand euros at both year-ends). This provision was recognized based on actuarial calculations performed in-house. This provision is funded in-house, albeit not by specific assets.

20.1.6 Riviana Foods, Inc.

In addition to the defined benefit obligations detailed below, the Riviana Group companies offer their US employees voluntary contribution plans. These companies match their employees' contributions. Total expenditure in connection with these plans was 2,293 thousand euros in 2017 (2016: 2,042 thousand euros).

20.2 Pension and other defined benefit obligations

The breakdown by company:

Defined benefit	**Year end 2017**			**Year end 2016**		
In thousands of euros	Pension commitments	Other commitments	Total	Pension commitments	Other commitments	Total
Riviana Group (US & Canada)	11,891	(2,732)	9,159	15,585	(3,146)	12,439
Boost (Herba) (Belgium)	359		359	438		438
S&B Group (Herba) (UK)	5,873		5,873	7,084		7,084
Ebro Germany (Germany)	2,284		2,284	2,370		2,370
Euryza (Herba) (Germany)	4,547		4,547	5,614		5,614
Transimpex (Germany)	1,450		1,450	0		0
	26,404	**(2,732)**	**23,672**	**31,091**	**(3,146)**	**27,945**

The reconciliation of the opening and closing balances included in the table above, broken down using geographic criteria, deemed the most appropriate and uniform criterion in terms of the underlying factors generating these obligations, in 2017 and 2016:

	TOTAL		Europe		US & Canada	
Thousands of euros	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Provisions for pensions - obligations						
Opening balance	81,705	82,689	27,254	23,702	54,451	58,987
Business combinations	1,216	0	1,216	0	0	0
Charge for the year	4,514	5,567	766	792	3,748	4,775
Actuarial changes	2,581	6,639	(953)	5,592	3,534	1,047
Benefits paid	(5,221)	(12,588)	(930)	(612)	(4,291)	(11,976)
Transfers between plans	0	187	0	187	0	0
Translation differences	(7,094)	(789)	(618)	(2,407)	(6,476)	1,618
Closing balance	77,701	81,705	26,735	27,254	50,966	54,451
Provisions for pensions - plan assets						
Opening balance	(53,760)	(57,637)	(11,748)	(10,500)	(42,012)	(47,137)
Business combinations	0	0	0	0	0	0
Return on plan assets	(1,391)	(2,237)	(286)	(403)	(1,105)	(1,834)
Contributions by employer	(6,148)	(3,917)	(510)	(171)	(5,638)	(3,746)
Actuarial changes	(3,548)	(1,322)	(978)	(1,280)	(2,570)	(42)
Benefits paid	5,221	12,267	930	291	4,291	11,976
Transfers between plans	0	(107)	0	(107)	0	0
Translation differences	5,597	(807)	370	422	5,227	(1,229)
Closing balance	(54,029)	(53,760)	(12,222)	(11,748)	(41,807)	(42,012)
Net asset recognized on the balance sheet	**23,672**	**27,945**	**14,513**	**15,506**	**9,159**	**12,439**

	TOTAL		Europe		US & Canada	
Net annual cost by component	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Current service cost	1,992	2,635	164	59	1,828	2,576
Borrowing costs	2,522	2,932	602	733	1,920	2,199
Expected return on plan assets	(1,391)	(2,237)	(286)	(403)	(1,105)	(1,834)
	3,123	**3,330**	**480**	**389**	**2,643**	**2,941**
Actuarial changes recognized directly in consolidated equity: (gains)/losses	**(967)**	**5,131**	**(1,931)**	**4,126**	**964**	**1,005**

Actuarial assumptions		**2017**	**2016**	**2017**	**2016**
Discount rate		1.15% - 2.5%	1% - 2.7%	3.25% - 3.65%	3.80% - 4.12%
Future salary increases		1.5% - 3.0%	1.5% - 3.0%	3.00%	3.00%
Expected return on plan assets		1.15% - 2.5%	1% - 2.7%	3.25% - 3.65%	3.80% - 4.12%

In general these obligations relate to pension plans for most of the employees of the Riviana Group in both the US and Canada and for certain employees of the European subsidiaries. At the S&B Group, these obligations now only correspond to former employees (the obligations in respect of current employees were transferred to defined contribution arrangements on January 1, 2006). The Riviana Group has not been adding new employees to this defined benefit scheme since February 2006; at the Canadian subsidiary (the dry pasta division), the pension plan was liquidated by settling the benefits accrued by employees with effect until December 31, 2009.

In the case of the Riviana Group, the other commitments relate to health insurance, prescription drug plans and life insurance provided to just some of their employees.

21. OTHER PROVISIONS

The movements under this heading in 2017 and 2016 (in thousands of euros) are shown below:

Movements under other provisions	2017 Total	2016 Total
Opening balance	18,498	14,256
Translation differences	(78)	22
Business combinations	14	0
Transfers	1	0
Amounts utilized and payments	(4,424)	(2,166)
Additions with a charge to profit or loss	6,953	7,757
Unused amounts reversed with a credit to profit or loss	(385)	(1,371)
Closing balance	**20,579**	**18,498**

An analysis by underlying concept and company/business (in thousands of euros):

Breakdown of other provisions by concept	YE 2017	YE 2016
Lawsuits and disputes	18,718	14,898
Modernization and restructuring plan	581	1,306
Sundry other contingencies of insignificant amount	1,280	2,294
	20,579	**18,498**

	YE 2017	YE 2016
Ebro Foods, S.A.	15,448	11,520
Panzani Group	2,433	2,610
Herba Group	1,346	2,455
Riviana Group	462	516
Birkel Group	569	545
Other	321	852
TOTAL CONTINUING OPERATIONS	**20,579**	**18,498**

21.1 Lawsuits and disputes: Provisions covering the outcome of lawsuits related to the sales of the sugar and dairy businesses

One of the provisioned items is the provision recognized to cover the outcome of lawsuits related to the sales of the sugar business (sold in 2009) and the dairy business (sold in 2010), specifically related to the reps and warranties extended to the buyers of these businesses, as an unfavorable ruling in these lawsuits would have the effect of reducing the sale-purchase prices for these business. Additions to this provision (or reversals thereof) imply an adjustment to the sale price and are accordingly recognized as a reduction (or increase) in profit in the year in which they are recognized.

These lawsuits had been substantially resolved by year-end 2013, so that the related provision stood at zero. However, in the course of 2014 a number of smaller-sized disputes came to light. Management determined it was necessary to recognize a provision in respect of certain of these cases in light of the possible outflow of resources in the future.

In addition, in August 2014, Grupo Lactalis Iberia, S.A. passed the proposed ruling ("Proposed Ruling") in respect of the disciplinary proceedings initiated by the investigative unit of Spain's anti-trust authority, the CNMC, against Spain's leading dairy transformation companies, including Puleva Food, S.L., in connection with alleged anti-competitive practices between 2003 and 2013, on to Ebro Foods, S.A. Ebro Foods, S.A. sold Puleva Food, S.L. to Grupo Lactalis Iberia, S.A. in 2010; the related share purchase agreement (the "SPA") included a liability regime covering future contingencies. Under this regime, Ebro Foods, S.A., as seller, could be held liable for any fine imposed on Puleva Food, S.L. with respect to developments taking place prior to the sale.

The Proposed Ruling qualifies the conduct investigated as a very serious infraction of article 62.4.a) of Spain's Anti-Trust Act and recommends that the Board of the CNMC hand down the fine contemplated in article 63 of this same piece of legislation. Grupo Lactalis Iberia, S.A. and Puleva Food, S.L., in keeping with the procedure agreed upon in the SPA, duly presented statements outlining their pleas against the Proposed Ruling, categorically denying the conduct charged therein.

The CNMC ruling issued by its Board on February 26, 2015 was received on March 3, 2015. It hands down a fine against Puleva Food, S.L. of 10,270 thousand euros. Based on the information currently available, Ebro Foods, S.A. believes it has solid arguments for defending its position in these lawsuits and so stated in the appeal lodged before the corresponding judicial bodies in September 2015. However, it continues to classify the likelihood of an outflow of resources embodying economic benefits as probable; accordingly, the related provision recognized in the 2016 and 2017 financial statements is unchanged with respect to the amount provided for in 2014.

In addition, in 2016, the Group recognized a provision of 2,500 thousand euros to cover the litigation risk associated with the tax assessments signed under protest in 2016 in the wake of an inspection of the Puleva Group in respect of the years during which it still belonged to Ebro's consolidated tax group.

In addition to the accounting entries made in this regard in prior years, in relation to which there were no changes whatsoever, in 2017, the Group recognized additional provisions of 3,928 thousand euros as follows:

The last tax inspection of the Spanish tax group in respect of 2008 to 2011, both inclusive, concluded in May 2014. All of the assessments were paid (using financial criteria), including those signed under protest (albeit not the related fines). The assessments signed under protest have been appealed. In addition, the Company also signed assessments handed down in connection with the deduction accredited and applied as warranted in relation to the 2008 Volvo Ocean Race under protest. The amount contested, which applies from 2008 to 2010, totals 3,021 thousand euros. In this case, the liability had not been provided for in prior years as the assessments had been appealed and the likelihood of winning this claim was deemed high due to the precedent set by National High Court rulings in favor of other taxpayers that had brought identical cases.

However, in July 2017, the Supreme Court ruled against the taxpayer in a very similar case. Therefore, the risk that the outcome of this process will not favor the tax group was reclassified from remote to probable and is now expected to possibly entail an outflow of resources. As a result, in 2017, the Group recognized an impairment provision of 3,928 thousand euros to cover this potential liability in full. The provision has been recognized with a charge against corporate income tax expense in the income statement (note 25).

21.2 Status of other lawsuits and disputes

In addition to the lawsuits outlined in section 21.1 above, at year-end 2017, the Group has recognized provisions for other lawsuits and disputes in the amount of 3,270 thousand euros (year-end 2016: 3,658 thousand euros).

These provisions relate to court proceedings underway and other claims; in the directors' opinion, after taking appropriate legal advice from its in-house and external counsel, the outcome of these legal claims will not give rise to any significant liabilities beyond the amounts provided at year-end.

The breakdown of the maximum liability under these legal claims (items 21.1 and 21.2 above) is shown below (in thousands of euros):

	YE 2017	YE 2016
Tax and customs assessments signed under protest	7,592	4,308
Judicial review contingencies	10,859	10,982
Other lawsuits	666	621
	19,117	**15,911**

22. OTHER FINANCIAL LIABILITIES

The breakdown of the items comprising financial liabilities (in thousands of euros) is provided in the table below:

Financial liabilities	Year-end 2017		Year-end 2016	
	Non-current	Current	Non-current	Current
Bank loans	365,163	365	406,607	425
Bank credit facilities		307,851		239,559
Other financial liabilities	107,131	1,939	88,824	1,936
Payable to associates	0	0	0	0
Financial guarantees and deposits received	59	39	59	40
Total financial liabilities	**472,353**	**310,194**	**495,490**	**241,960**

The breakdown of the Group's bank borrowings by business segment or company and the corresponding maturities (in thousands of euros):

(THOUSANDS OF EUROS)

Breakdown of bank borrowings by segment or company	YE 2016	YE 2017	2019	2020	2021	2022	Other
- Of Ebro Foods, S.A	387,076	341,963	49,483	221,188	71,292	0	0
- Of Herba Group	3,371	8,464	1,763	1,350	1,080	685	3,586
- Of Panzani Group	2,092	2,372	445	448	451	329	699
- Of Garofalo Group	13,883	12,228	1,720	1,567	1,406	1,464	6,071
- Of Arotz Foods, S.A.	185	136	48	48	40		
Non-current bank borrowings	**406,607**	**365,163**	**53,459**	**224,601**	**74,269**	**2,478**	**10,356**
- Of Ebro Foods, S.A	80,626	50,131					
- Of Panzani Group	68,503	95,320					
- Of Herba Group	79,196	150,552					
- Of Garofalo Group	11,611	12,165					
- De otras sociedades	48	48					
Current bank borrowings	**239,984**	**308,216**					
Total bank borrowings	**646,591**	**673,379**					

The breakdown of the above borrowings by currency of denomination is as follows:

CURRENCY	YE 2017	YE 2016
EUR (euro)	461,392	366,956
USD (US dollar)	173,967	258,174
INR (Indian rupee)	28,827	16,502
DKK (Danish kroner)	0	287
EGP (Egyptian pound)	1,455	2,527
THB (Thai baht)	7,738	1,710
HUF (Hungarian forint)	0	435
Total	**673,379**	**646,591**

The long-term bank loans denominated in US dollars were taken out to finance the investments in the US businesses. These long-term loans are guaranteed by Group subsidiaries Herba Food, S.L., Herba Ricemills, S.L., Panzani SAS and Riviana Foods Inc. and correspond to:

- The bilateral loan agreement entered into in November 2006 and amended in April 2009, June 2010 and again in May 2015, in an initial amount of 190 million US dollars, reduced to 171 million US dollars in the wake of the last amendment. This loan is repayable in four six-monthly instalments of 42.75 million US dollars starting in May 2020. The annual rate of interest applicable to this dollar-denominated loan is benchmarked against 1-, 3-, 6- or 12-month LIBOR plus a market spread.

- A bilateral loan agreement arranged in June 2015, in the amount of 100 million US dollars, reduced to 80 million US dollars in 2016 as a result of an early repayment of 20 million US dollars and cancelled in 2017.

Three new loans were arranged in 2016, all of which are classified as non-current. Specifically, the Group arranged two separate 25 million euro loans on March 30 and another 100 million euro loan on May 30. These loans are denominated in euros and are repayable in a single bullet payment at maturity, on March 29 and 31, 2019 and May 31, 2020, respectively. These loans bear interest at 3-month EURIBOR plus a market spread.

Lastly, on July 10, 2014, a 50 million euro loan was arranged with a bank; this facility was initially repayable in a single bullet payment on July 10, 2017 but has been extended for another three years (similarly with a single bullet payment). The annual rate of interest applicable to this loan is 3-month EURIBOR plus a market spread.

(THOUSANDS OF EUROS)

As for the rest of the Group's bank borrowings, at year-end 2017 the various companies had arranged unsecured credit facilities with an aggregate limit of 413 million euros (year-end 2016: 374 million euros), of which 308 million euros (160 million euros) had been drawn down.

The Panzani Group's credit facilities (with a drawdown limit at both year-ends of 80 million euros) are secured by its accounts receivable. Some of the Garofalo Group's credit facilities are secured by a mortgage over its factory and site in Italy for up to 54 million euros.

The Group also had the following reverse factoring, receivable discounting, and trade finance lines and had issued the following sureties and other bank guarantees at year-end:

At year-end 2017 **CREDIT FACILITIES ARRANGED**	**Amount drawn down**	**Amount undrawn**	**Total limit**
Reverse factoring, receivable discounting and trade finance	9,414	20,026	29,440
Bank guarantee lines (note 26)	34,512	63,387	97,899
Consolidated Group total	**43,926**	**83,413**	**127,339**

At year-end 2016 **CREDIT FACILITIES ARRANGED**	**Amount drawn down**	**Amount undrawn**	**Total limit**
Reverse factoring, receivable discounting and trade finance	8,248	22,178	30,426
Bank guarantee lines	31,571	85,811	117,382
Consolidated Group total	**39,819**	**107,989**	**147,808**

The average rate of interest accrued on current loans in 2017 was 0.70% (2016: 0.75%).

The bank loans require compliance with a series of covenants, specifically a series of ratios calculated on the basis of the consolidated financial statements of the Ebro Foods Group, throughout the term of the loans. Any breach of these covenants would increase the related borrowing costs and in some cases would trigger an early repayment requirement. The Group was in compliance with these covenants at both year-ends.

The breakdown of other financial liabilities at December 31, 2017 and 2016:

Breakdown of other financial liabilities	**Year-end 2017**		**Year-end 2016**	
	Non-current	Current	Non-current	Current
Garofalo: put option granted over 48% - note 26	66,528	0	63,907	0
Ingredients Group: put option granted over 20% - note 26	10,183	0	11,101	0
Santa Rita Harinas: put option granted over 48% - note 26	5,543	0	5,456	0
Santa Rita Harinas: deferred purchase price for 52% - note 5	1,000	0	1,000	0
Geovita Group: deferred purchase price for 52% - note 5	3,500	0	0	0
Transimpex: put option granted over 45% - notes 5 & 26	14,938	0	0	0
Garofalo: financing provided by non-financial entities	3,866	1,154	4,968	1,156
Other financial liabilities	1,573	785	2,392	780
Total financial liabilities	**107,131**	**1,939**	**88,824**	**1,936**

(THOUSANDS OF EUROS)

Amendments to IAS 7 *Statement of cash flows: Disclosure initiative*

As indicated in note 3.w, the amendments to IAS 7 require reporters to provide relevant information that enables financial statement users to evaluate changes in liabilities arising from financing activities, distinguishing between changes that involve cash flows and changes that do not (such as foreign exchange gains or losses). Comparative information is not required in the year the amendments are first applied so that the Group is providing these disclosures for the current reporting period only.

Financial liabilities Reconciliation of flows, 2017	Dec 31, 2016	Cash flows	Movements in for. currency	Changes in fair value	Business combinations	Dec. 31, 2017
Short-term loans	239,984	65,713	(3,175)	0	5,694	308,216
Long-term loans	406,607	(19,750)	(27,719)	0	6,025	365,163
Derivatives	1,104	(498)	0	3,687	0	4,293
Other financial liabilities	90,760	0	0	3,372	14,938	109,070
Guarantees and deposits receive	99	0	(1)	0	0	98
Total liabilities arising from financing activities	**738,554**	**45,465**	**(30,895)**	**7,059**	**26,657**	**786,840**

23. OTHER NON-FINANCIAL LIABILITIES

These relate to various payables that are not material on an individual basis.

24. TRADE AND OTHER PAYABLES

Set out below are the movements in this heading:

	YE 2017	YE 2016
Trade accounts payable	336,266	302,091
Other payables	44,023	44,871
Employee benefits payable	44,660	46,878
Payable to associates	212	56
TOTAL	**425,161**	**393,896**

Trade payables are non-interest bearing and are normally settled on 60-80 day terms. Other payables are also non-interest bearing and have an average term of three months; they mainly correspond to payables related to the purchase of items of property, plant and equipment, the grant of trade discounts and rebates, and advertising and marketing initiatives.

25. TAX MATTERS

Year-end balances receivable from and payable to the tax authorities (in thousands of euros):

	Taxes receivable		Taxes payable	
	YE17	YE16	YE17	YE16
VAT and personal income tax	31,999	32,364	(9,425)	(9,512)
Social security	149	231	(2,280)	(1,810)
Grants pending collection	0	0		
Other public authorities	277	48	(3,117)	(2,411)
Total taxes receivable/payable	**32,425**	**32,643**	**(14,822)**	**(13,733)**
Income tax - tax payable/refundable	**37,651**	**26,441**	**(14,013)**	**(12,966)**

Certain Group companies file consolidated tax returns in keeping with applicable tax and other legislation prevailing in each country. The companies that file under a consolidated tax regime are: most of the Spanish companies (Spanish tax group), the Riviana Group (USA) together with its Canadian subsidiary, the Panzani Group (France) and the Group companies resident in Germany and the Netherlands for tax purposes.

The statutory corporate income tax rates vary from one country to another, the most significant (on account of their relative materiality) being the rates prevailing in: Spain: 25%; France: 33.3% (set to fall on a staggered basis to 25% by 2022); the US: 37.5% (23.5% from 2018); Germany: 30%; the Netherlands: 25.5%; Italy: 27.5% (24% from 2018); and the UK: 19.25%. The table provided later on in this note presents the impact of the national rates other than 25% (benchmark Spanish rate) under the dedicated line item, 'Impact of differing tax rates (taxable income)'.

It is important to consider certain extraordinary developments arising in 2017 and 2016 in analyzing the year-on-year trend in the Group's tax expense. The major components of income tax expense for the years ended December 31, 2017 and 2016 are:

Thousands of euros	2017	2016
- Income tax expense for the year	86,816	85,080
a) Impacts of tax reforms in the US taking effect from Jan. 1, 2018	(50,631)	0
b) Impact of change in income tax rate in France	(3,759)	(5,191)
c) Impact of change in income tax rate in Italy	(2,197)	0
d) Deferred tax liabilities subject to reversal	0	3,702
e) Utilization of provision for tax assessments (note 21.1)	3,928	0
	34,157	83,591

a) Impact of the tax reforms in the US – at the end of December 2017, the US passed a new tax law which introduced substantial changes. Among the reforms introduced it is worth highlighting the 14 point reduction in the federal corporate tax rate (from 35% to 21%) and the modification of the tax treatment of undistributed profits of subsidiaries outside of the US.

At year-end 2017, the Group has recognized the impact of the reduction in the US federal corporate tax rate on its deferred tax assets and liabilities, along with the impact of the new tax treatment of the undistributed profits and earnings of foreign subsidiaries (outside of the US): these developments imply a 50,631 thousand euro reduction in income tax expense in the consolidated income statement, an increase in income tax expense in the consolidated statement of other comprehensive income of 2,060 thousand euros, a charge against translation differences of 2,940 thousand euros, the recognition of an account payable to the US federal tax authorities of 1,190 thousand euros, a 8,603 thousand euro decrease in deferred tax assets and a 55,424 thousand euro decrease in deferred tax liabilities.

b) Impact of the change in tax rate in France - the French government reduced the rate of corporate income tax in France at the end of 2016 and then again at the end of 2017, such that this rate has been set at 33.3% for 2016, 2017 and 2018, decreasing to 31% in 2019, to 28% in 2020, to 26.5% in 2021 and, finally, to 25% in 2022. The Group recognized the effects that the reduction in the income tax rate in France will have on its deferred taxes at year-end 2016 and again at year-end 2017.

c) Impact of the change in tax rate in Italy - Italy's main corporate income tax rate has been reduced from 27.5% to 24% from 2018. The Group recognized the effects that the reduction in the income tax rate in Italy will have on its deferred taxes at year-end 2017.

d) In Spain, Royal Decree-Law 3/2016 was published in the official state journal on December 3, 2016 enacting tax measures designed to consolidate the public finances and urgent welfare measures. The purpose of this piece of legislation was to incorporate certain measures aimed at reducing the public deficit and correcting economic imbalances into Spanish legislation.

   One of the measures taken in the corporate income tax arena affects the inclusion of the reversal of impairment losses on investments in subsidiaries that were tax deductible.

   Specifically, the impairment losses on investments that were deductible for tax purposes until 2013 and are still pending reversal must be reversed on an accelerated basis by including them, at a minimum, in taxable income in equal parts in each of the first five tax periods commencing on January 1, 2016. As a result, the amount included in the table above of 3,702 thousand euros is mainly the result of Royal Decree-Law 3/2016. The tax losses originated by equity investments in subsidiaries will now only be tax deductible if a subsidiary is wound up or liquidated, or, in the case of its disposal between 2016 and 2020, both years inclusive, in respect of the portion of the deducted tax loss that has yet to be reversed.

The Group's theoretical income tax expense for the year ended December 31, 2017 is quantified for each company on the basis of tax rate (effective rate) expected to apply in the current annual reporting period, adjusted for application of prevailing tax provisions. The Ebro Group's resulting effective tax rate (measured as corporate income tax expense, without including the effects itemized above, as a percentage of pre-tax profit) was 32.87% in 2017 (32.80% in 2016).

Elsewhere, the Ebro Group's overall rate of tax effectively paid in 2017 (measured as the cash outlay as a percentage of pre-tax profit) was 31.62% (29.02% in 2016).

The breakdown of the tax expense accrued by the consolidated Group in 2017 and 2016 (in thousands of euros) is provided below:

	2017		2016	
	Accounting	Tax	Accounting	Tax
Accounting profit before tax from continuing operations	**264,131**	**264,131**	**259,410**	**259,410**
Profit/(loss) before tax recognized in equity	**1,617**	**1,617**	**(6,946)**	**(6,946)**
	265,748	**265,748**	**252,464**	**252,464**
Permanent differences	(10,220)	(10,220)	(19,462)	(19,462)
Tax losses generated during the year	4,889	4,889	2,689	2,689
Utilization of individual tax losses	(5,391)	(5,391)	(4,412)	(4,412)
Adjusted accounting profit	**255,026**	**255,026**	**231,279**	**231,279**
Temporary differences		(53,993)		(26,532)
Tax losses generated during the year		10,976		1,815
Utilization of tax losses		(4,130)		(6,358)
Adjusted taxable profit	**255,026**	**207,879**	**231,279**	**200,204**
Impact of differing tax rates (taxable income)	70,305	61,468	65,133	57,792
Taxable income of the Group	**325,331**	**269,347**	**296,412**	**257,996**
Tax calculated at statutory rate of 25%	81,333	67,337	74,103	64,499
Tax credits utilized	0	0	(1,211)	(681)
Tax payable	**81,333**	**67,337**	**72,892**	**63,818**
Adjustments in respect of prior-year's income tax	(1,803)		(2,244)	
Restatement of net deferred taxes due to changes in tax rates	(56,587)		(5,191)	
Restatement of net deferred taxes	1,003		4,486	
Inspection assessments and fines (note 21.1)	3,928		0	
Equivalent tax charges	8,918	8,777	11,692	10,516
Adjustment in respect of prior year's tax payable		(3,762)		2,391
Total tax expense	**36,792**	**72,352**	**81,635**	**76,725**
Tax expense, continuing operations	34,157		83,591	
Tax expense, recognized directly in equity	2,635		(1,956)	
	36,792		**81,635**	

INCOME STATEMENT - INCOME TAX	2017	2016
Current tax expense, continuing operations	67,337	63,818
Total deferred tax expense	13,540	10,465
Tax expense deferred in equity	456	(1,391)
Restatement of prior-year's income tax	(1,803)	(2,244)
Restatement of net deferred taxes	(55,584)	(705)
Equivalent tax charges	8,918	11,692
Inspection assessments and fines	3,928	0
	36,792	**81,635**

Tax expense, recognized directly in equity	2017	2016
Expense related to changes in subsidiaries' capital	(30)	0
Change in fair value of financial assets	2	(90)
Change due to actuarial gains/(losses)	603	(1,866)
Restatement of net deferred taxes due to changes in tax rates	2,060	0
	2,635	**(1,956)**

Total expense for tax purposes less the withholdings and payments on account made during the year yields the amount of tax payable to / refundable by the tax authorities in respect of current income tax.

The most significant temporary differences in 2017 and 2016:

- A decrease of 1,901 thousand euros (2016: increase of 5,506 thousand euros) due to the tax effect of actuarial losses/gains on pension commitments, recognized directly in equity.
- A decrease of 20,227 thousand euros (20,227 thousand in 2016) due to the amortization for tax purposes of the goodwill arising on the acquisition of foreign companies.
- A decrease of 22,245 thousand euros (22,460 thousand euros in 2016) in relation to temporary differences at the Riviana Group (US), mainly due to the amortization for tax purposes of trademarks and other assets, the recognition in different periods for accounting versus tax purposes of items in provision and accrual accounts and the impairment of certain trademarks.
- A decrease of 10,289 thousand euros (1,414 thousand euros in 2016) in relation to temporary differences at the Herba Group, mainly due to the amortization for tax purposes of trademarks and other assets, accelerated depreciation regimes in Spain and the US and the recognition in different periods for accounting versus tax purposes of items in provision accounts.
- A decrease of 3,776 thousand euros (increase of 7,939 thousand euros in 2016) in relation to temporary differences at the Panzani Group, due mainly to movements under provisions, offset by property, plant and equipment depreciation charges.
- An increase of 1,624 thousand euros (503 thousand euros in 2016) in consolidation adjustments due to different accounting criteria applied in preparing the separate versus the consolidated annual financial statements.
- A net increase of 2,821 thousand euros (2016: 3,621 thousand euros), mainly in relation to other companies, due to the origination and/or utilization for tax purposes of provisions recognized and/or reversed during the year, the recognition and/or reversal of impairment losses on non-financial assets and other contingencies cancelled and financial assets that were or were not eligible for deduction during the year.

The Group companies' permanent differences relate basically to amounts equivalent to tax that do not compute for income tax calculation purposes, the effect of expenses that are not deductible in determining tax profit, the deductibility for tax purposes of losses on non-current financial assets, the reversal of certain provisions that were not deductible for tax purposes when they were recognized in prior years and the fact that some of the gains obtained on the sale of certain assets in 2016 were exempt from this tax.

The Group did not apply significant amounts of unused tax credits in 2017 due to the lack of sufficient taxable income and only a scant amount in 2016. These tax credits mainly derive from new product development efforts, charitable donation deductions, deductions under double taxations treaties and tax relief on the reinvestment of gains generated by asset sales (still-unused credits generated prior to 2014).

Until and including 2014 it was possible in Spain to certify deductions in respect of reinvestments; these deductions were eliminated in 2015. Between 2013 and 2006, both inclusive, the Spanish tax group reinvested qualifying proceeds totaling 33.1, 5.0, 115.3, 57.3, 1.5, 16.2, 11.2 and 76.3 million euros, respectively.

These reinvestments satisfied all of the requirements for qualifying for the related tax relief.

The reconciliation of the opening and closing deferred tax balances (in thousands of euros) is provided below:

	2017			2016		
	Assets	Liabilities	Net carrying amount	Assets	Liabilities	Net carrying amount
Opening balance	**83,068**	**(299,500)**	**(216,432)**	**74,301**	**(281,736)**	**(207,435)**
Transfers	6,740	(6,740)	0	(672)	672	0
Translation differences	(24,111)	35,307	11,196	903	(5,779)	(4,876)
Business combinations	256	(2,535)	(2,279)	88	(2,619)	(2,531)
Disposals / derecognitions	0	0	0	(245)	0	(245)
Charged / credited in income statement	(1,875)	(11,667)	(13,542)	7,466	(14,865)	(7,399)
Charged / credited to equity	(410)	(45)	(455)	901	490	1,391
Restatements	(13,911)	65,930	52,019	326	4,337	4,663
Closing balance	**49,757**	**(219,250)**	**(169,493)**	**83,068**	**(299,500)**	**(216,432)**

The breakdown of deferred taxes into their most significant components at year-end is provided in the next table:

	Year end 2017		Year end 2016	
	Deferred tax		Deferred tax	
	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment	4,776	(66,485)	4,656	(91,608)
Investment properties	2,797	0	2,813	(3)
Goodwill	2,609	(79,167)	3,111	(37,018)
Other intangible assets	1,814	(66,546)	1,400	(163,549)
Inventories	3,542	(607)	3,542	(578)
Receivables and accruals (assets)	884	(687)	1,180	(859)
Pensions and similar obligations	11,809	38	14,115	(93)
Other non-current provisions	898	(738)	1,618	826
Payables and accruals (liabilities)	9,396	1,361	21,166	1,787
Unused tax credits and tax losses	11,216	0	15,728	(413)
Accrual of tax credits	16	(6,419)	0	(7,992)
Tax effect of translation of investments in foreign ope	0	0	13,739	0
TOTAL	**49,757**	**(219,250)**	**83,068**	**(299,500)**

At year-end 2017, the Group companies had around 50 million euros of unused tax losses (40 million euros at year-end 2016) that it can offset against taxable profit over the next 15 years.

In May 2017, the tax authorities embarked on an inspection of the Spanish tax group for fiscal years 2012 to 2015, both inclusive, which they are expected to complete during the first half of 2018. The Spanish tax group has its books open to inspection from 2016 in respect of all applicable taxes. The other Group companies have their books open to inspection in respect of the taxes and years applicable under local tax legislation insofar as not already inspected, in most instances from 2012 or 2013. The directors believe there is no need to provide for potential additional tax liabilities that could arise from differing interpretations of tax regulations.

26. COMMITMENTS AND CONTINGENCIES

Commitments under operating leases (as lessee) and service provision agreements

The Group has entered into operating leases on certain vehicles, items of machinery, warehouses and offices. These leases have terms of between three and five years; the lease agreements do not have lease renewal clauses with the exception of the lease on the site of one of the factories in the US, which can be extended by a term of 20 years, and the lease on one of the factories in Canada, with a term of 10 years. These leases do not impose any restrictions on the lessees.

In addition, in the US, the Group has outsourced its logistics operations to several distribution centers under long-term service provision agreements. Future minimum payments due under non-cancelable operating leases and service provision agreements at December 31 (in thousands of euros) are as follows:

	Year end 2017			Year end 2016		
	Leases	SPAs	Total	Leases	SPAs	Total
Within one year	10,793	11,656	22,449	10,627	13,588	24,215
After one year but not more than five y	28,012	21,617	49,629	22,002	17,327	39,329
More than five years	14,716	0	14,716	16,796	0	16,796
Total	**53,521**	**33,273**	**86,794**	**49,425**	**30,915**	**80,340**

Operating lease commitments - Group as lessor

The Group has entered into operating leases on several properties within its investment property portfolio. These non-cancelable leases have remaining terms of between three and five years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. Future minimum rentals receivable under non-cancelable operating leases at December 31 (in thousands of euros) are as follows:

	YE 2017	YE 2016
Within one year	1,033	848
After one year but not more than five y	2,511	3,374
More than five years	0	0
Total	**3,544**	**4,222**

Capital commitments

Capital expenditure contracted for (machinery purchases and upgrades) at the end of the reporting period but not yet incurred totaled 12,600 thousand euros (21,000 thousand euros at year-end 2016).

Investment commitments

- In 2011 the Ebro Group acquired 50% of Grupo TBA Suntra B.V. and 75% of TBA Suntra UK from one of their two shareholders. In addition, it signed an agreement with the other shareholder for the future acquisition of the remaining 50% of Grupo Suntra B.V. and the remaining 25% of TBA Suntra UK. The agreement was structured as a put option written by the shareholder such that the latter can oblige the Ebro Group to acquire the remaining interests in these companies. The parties also signed a shareholder agreement that gives control of the Suntra Group to the Ebro Group. This other shareholder exercised its call option in January 2015 so that the Ebro Group took outright ownership of both these companies.

  In 2016, having completed the restructuring of the Ingredients subgroup, which included the Group's European companies devoted to this line of business, among which the companies itemized above (among others), the Ebro Group sold the above shareholder 20% of the Ingredients business and 25% of TBA Suntra UK. In parallel, it entered into an agreement with the other shareholder for the future acquisition of the said 20% interest in the Ingredients business and 25% interest in TBA Suntra UK. The agreement was structured as a put option written by the shareholder such that the latter can oblige the Ebro Group to acquire these interests. In addition, the Ebro Group has a right of first refusal such that third parties cannot acquire these interests.

  Lastly, the Ebro Group has an irrevocable call option over these investments in the event that the other shareholder dies or becomes incapacitated. As a result, the Ingredients business and TBA Suntra UK have been fully consolidated in light of the control arrangement; in parallel, the Group has recognized the estimated cost of the option over the remaining 20% and 25% interests as a non-current financial liability (note 22).

- The Ebro Group acquired 52% of Italy's Pasta Garofalo on June 18, 2014. The Group acquired a 52% interest for 63,455 thousand euros, of which it paid 58,255 thousand euros in 2014 and the remaining 5,200 thousand euros in 2015. The Group took effective control of the Garofalo Group on June 30, 2014, which was also the date of its first-time consolidation.

  In addition, the Group has arranged two options with the other shareholder over the remaining 48%, granting the seller a put option (exercisable until May 2024) and the Ebro Group a call option (exercisable from June 2024 to May 2026). The acquisition price in the event these options are 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. The Garofalo Group has been fully consolidated in light of this control arrangement; in parallel the Ebro Group has recognized the estimated cost of the option over the remaining 48% as a non-current financial liability (note 22).

- Acquisition in 2016 of Santa Rita Harinas, S.L. (Spain).

  The Ebro Group acquired a 52% interest in Santa Rita Harinas, S.L. on July 13, 2016. In total, the Group paid 5,778 thousand euros for its 52% interest, 4,778 thousand euros of which was paid in 2016; payment of remaining 1,000 thousand euros is subject to delivery of certain targets in respect of 2016, 2017 and 2018. The Group took effective control of the Santa Rita Harinas, S.L. on July 13, 2016, which was also the date of its first-time consolidation.

In addition, the Group has arranged two options with the other shareholder over the remaining 48%, granting the seller a put option (exercisable from August 2019 with no expiry date) and the Ebro Group a call option (exercisable from August 2026 with no expiry date). The acquisition price in the event these options are 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. Santa Rita Harinas, S.L. has been fully consolidated in light of this control arrangement; in parallel the Ebro Group has recognized the estimated cost of the option over the remaining 48% as a non-current financial liability (note 22).

- In May 2013, the Group entered into an agreement with the shareholders of Germany's Keck Spezialitaten, Gmbh (Keck) for its acquisition. In order to structure the acquisition, the Group incorporated a new, wholly-owned German company called Ebro Frost, Gmbh to which 100% of the shares of Keck and 100% of the shares of Danrice, A.S. (Danrice was a wholly-owned Group subsidiary at the time) were contributed. In the wake of these contributions, Ebro Frost, Gmbh. was held 55% by the Ebro Group and 45% by the shareholders of Keck.

  From January 1, 2019, the shareholders of Keck have the option of having the Ebro Group acquire their 45% interest in Ebro Frost, Gmbh at a variable price that will be set as a function of its earnings performance during the prior three years and delivery of a series of requirements.

- As indicated in note 5, in July 2017, the Ebro Group acquired a 52% interest in the Geovita Group of Italy, whose parent company is Geovita Funtional Ingredients, S.r.l., also undertaking to acquire the remaining 48% (note 5).

- In September 2017, through its wholly-owned Germany subsidiary, Ebro Foods Germany, Gmbh., the Ebro Group acquired 55% of Germany's Transimpex, mbH., also committing to acquire the outstanding 45% (note 5).

Inventory commitments

Refer to the disclosures provided in note 15.

Legal claims and dispute guarantees

Refer to the disclosures provided in note 21.

Reps and warranties

The guarantees provided in the form of bank guarantees at the end of each reporting period:

	YE 2017	YE 2016
Bank guarantees: Provided to courts and other bodies in relation to claims and tax deferrals (note 21)	14,112	14,135
Bank guarantees: provided to Spain's Agricultural Guarantee Fund (FEGA), customs authorities and third parties to guarantee fulfilment of obligations arising in the ordinary course of business	19,674	16,678
Other bank guarantees:	726	758
Provided to banks to guarantee performance of other affiliated or third-party companies	0	0
TOTAL	**34,512**	**31,571**

Note, lastly, that the Panzani Group's credit facilities (with a drawdown limit at year-end 2017 and 2016 of 80 million euros) are secured by its accounts receivable. The Garofalo Group's credit facilities, with a drawdown limit of 54 million euros, are secured by a mortgage over its factory and site in Italy.

27. RELATED-PARTY TRANSACTIONS

Sales to and purchases from related parties are made on terms equivalent to those that prevail in arm’s length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. The Company has not extended or received other guarantees in respect of accounts receivable from or payable to its related parties.

The Group did not record any impairment of receivables relating to amounts owed by related parties in either reporting period. This assessment is undertaken each financial year by examining the financial situation of the related party and the market in which it operates.

27.1 Transactions with significant shareholders (or parties related thereto) of Ebro Foods, S.A. (excluding directors)

Note 18.1 itemizes the shareholders with significant interests in Ebro Foods, S.A. (parent of the Ebro Foods Group) in 2017.

A summary of the transactions, excluding dividends, between any Ebro Foods Group company and these significant shareholders (unless they are directors, whose transactions are disclosed separately in note 27.2) is provided below (in thousands of euros):

Significant shareholder	Ebro Foods Group company	Nature of the relationship	Type of transaction	2017 Amount	2016 Amount
Sociedad Anónima DAMM (Estrella de Levante, SA)	Herba Ricemills, SLU	Contractual	Sale of goods (finished and in-progress)	707	1,085
Sociedad Anónima DAMM (Cía Cervecera Damm, SA)	Herba Ricemills, SLU	Contractual	Sale of goods (finished and in-progress)	4,445	4,249

27.2 Transactions with directors and executives (or parties related thereto) of Ebro Foods, S.A.

A summary of the transactions performed, other than dividends and remuneration, with the directors and executives of Ebro Foods, S.A. and/or their related parties is provided below (in thousands of euros):

Name or company name of director	Relation ship	Name or company name of the related party	Ebro Group company with which the transaction was performed	Type of transaction	2017 Amount	2016 Amount
Hernández Callejas, Antonio	Relative	Hernández González, Luis	Ebro Foods, SA	Lease (expense)	41	40
Hernández Callejas, Antonio	Company	Cardenal Ilundain 4, SL	Ebro Foods, SA	Lease (expense)	0	72
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA	Herba Ricemills, SLU	Lease (expense)	340	178
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA	Herba Ricemills, SLU	Purchase of goods (finished and in-progress)	773	8,138
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA	Boost Nutrition, CV	Purchase of goods (finished and in-progress)	94	0
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA	S&B Herba Foods, Ltd	Purchase of goods (finished and in-progress)	17	70
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA	Arrozeiras Mundiarroz, SA	Purchase of goods (finished and in-progress)	323	234
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA	Herba Ingredients BV	Purchase of goods (finished and in-progress)	1	15
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA	Herba Ingredients BVC	Purchase of goods (finished and in-progress)	81	0
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA	Herba Ricemills, SLU	Services rendered	1	0
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA	Herba Ricemills, SLU	Purchase of services	51	308
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA	Arrozeiras Mundiarroz, SA	Purchase of services	13	0
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA	Herba Ricemills, SLU	Sale of PP&E, intangible and other assets	2	0

(THOUSANDS OF EUROS)

Name or company name of director	Relation ship	Name or company name of the related party	Ebro Group company with which the transaction was performed	Type of transaction	2017 Amount	2016 Amount
Grupo Tradifín, SL Hercalianz Investing Group,	Company	Instituto Hispánico del Arroz, SA	Herba Ricemills, SLU	Sale of goods (finished and in-progress)	292	192
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA	Boost Nutrition, CV	Sale of goods (finished and in-progress)	94	5
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA	Jiloca, SA	Sale of goods (finished and in-progress)	2	0
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA	Herba Ricemills, SLU	Purchase of goods (finished and in-progress)	0	4,413
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA	Herba Ricemills, SLU	Purchase of goods (finished and in-progress)	0	5
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (El Cobujón, SL)	Herba Ricemills, SLU	Purchase of goods (finished and in-progress)	942	63
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (El Cobujón, SL)	Boost Nutrition, CV	Purchase of goods (finished and in-progress)	101	0
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (El Cobujón, SL)	S&B Herba Foods, Ltd	Purchase of goods (finished and in-progress)	17	21
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (El Cobujón, SL)	Herba Ingredients BV	Purchase of goods (finished and in-progress)	0	87
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (El Cobujón, SL)	Herba Ingredients, BVC	Purchase of goods (finished and in-progress)	81	0
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (El Cobujón, SL)	Herba Ricemills, SLU	Sale of goods (finished and in-progress)	204	190
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (El Cobujón, SL)	Boost Nutrition, CV	Sale of goods (finished and in-progress)	101	5
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (El Cobujón, SL)	S&B Herba Foods, Ltd	Sale of goods (finished and in-progress)	0	3
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Mundiarroz, SA)	Herba Ricemills, SLU	Purchase of goods (finished and in-progress)	0	75
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Mundiarroz, SA)	S&B Herba Foods, Ltd	Purchase of goods (finished and in-progress)	0	147

(THOUSANDS OF EUROS)

Name or company name of director	Relation ship	Name or company name of the related party	Ebro Group company with which the transaction was performed	Type of transaction	2017 Amount	2016 Amount
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Mundiarroz, SA)	Herba Ricemills, SLU	Sale of goods (finished and in-progress)	0	112
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Mundiarroz, SA)	Boost Nutrition, CV	Sale of goods (finished and in-progress)	0	4
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Mundiarroz, SA)	S&B Herba Foods, Ltd	Sale of goods (finished and in-progress)	0	126
Grupo Tradifín, SL Hercalianz Investing Group, S	Company	Instituto Hispánico del Arroz, SA (Australian Commodities, SL)	Herba Ricemills, SLU	Purchase of goods (finished and in-progress)	56	90
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Australian Commodities, SL)	Boost Nutrition, CV	Purchase of goods (finished and in-progress)	88	0
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Australian Commodities, SL)	S&B Herba Foods, Ltd	Purchase of goods (finished and in-progress)	61	147
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Australian Commodities, SL)	Herba Ingredients BV	Purchase of goods (finished and in-progress)	1	0
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Australian Commodities, SL)	Herba Ingredients BVC	Purchase of goods (finished and in-progress)	81	0
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Australian Commodities, SL)	Herba Ricemills, SLU	Sale of goods (finished and in-progress)	153	196
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Australian Commodities, SL)	Boost Nutrition, CV	Sale of goods (finished and in-progress)	87	5
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Australian Commodities, SL)	S&B Herba Foods, Ltd	Sale of goods (finished and in-progress)	44	61
Grupo Trad, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Dehesa Norte, SL)	Herba Ricemills, SLU	Purchase of goods (finished and in-progress)	7,208	70
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Dehesa Norte, SL)	Herba Ricemills, SLU	Purchase of services	51	0
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Dehesa Norte, SL)	Boost Nutrition, CV	Purchase of goods (finished and in-progress)	94	0
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Dehesa Norte, SL)	S&B Herba Foods, Ltd	Purchase of goods (finished and in-progress)	17	148

(THOUSANDS OF EUROS)

Name or company name of director	Relation ship	Name or company name of the related party	Ebro Group company with which the transaction was performed	Type of transaction	2017 Amount	2016 Amount
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Dehesa Norte, SL)	Herba Ingredients BVC	Purchase of goods (finished and in-progress)	81	0
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Dehesa Norte, SL)	Herba Ricemills, SLU	Sale of goods (finished and in-progress)	193	189
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Dehesa Norte, SL)	Herba Ricemills, SLU	Services rendered	11	0
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Dehesa Norte, SL)	Boost Nutrition, CV	Sale of goods (finished and in-progress)	94	5
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Dehesa Norte, SL)	S&B Herba Foods, Ltd	Sale of goods (finished and in-progress)	0	50
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Dehesa Norte, SL)	Jiloca, SA	Sale of goods (finished and in-progress)	2	0
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Islasur, SA)	Herba Ricemills, SLU	Purchase of goods (finished and in-progress)	8	106
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Islasur, SA)	Boost Nutrition, CV	Purchase of goods (finished and in-progress)	42	4
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Islasur, SA)	S&B Herba Foods, Ltd	Purchase of goods (finished and in-progress)	123	160
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Islasur, SA)	Herba Ingredients BVC	Purchase of goods (finished and in-progress)	81	0
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Islasur, SA)	Herba Ricemills, SLU	Sale of goods (finished and in-progress)	97	136
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Islasur, SA)	Boost Nutrition, CV	Sale of goods (finished and in-progress)	42	0
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Islasur, SA)	S&B Herba Foods, Ltd	Sale of goods (finished and in-progress)	106	138
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Islasur, SA)	Arotz Foods, S.A.	Purchase of goods (finished and in-progress)	2	0
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Pesquería Isla Mayor, SL)	Herba Ricemills, SLU	Purchase of goods (finished and in-progress)	116	63

Name or company name of director	Relation ship	Name or company name of the related party	Ebro Group company with which the transaction was performed	Type of transaction	2017 Amount	2016 Amount
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Pesquería Isla Mayor, SL)	Boost Nutrition, CV	Purchase of goods (finished and in-progress)	85	0
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Pesquería Isla Mayor, SL)	S&B Herba Foods, Ltd	Purchase of goods (finished and in-progress)	17	145
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Pesquería Isla Mayor, SL)	Herba Ingredients BVC	Purchase of goods (finished and in-progress)	81	0
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Pesquería Isla Mayor, SL)	Herba Ricemills, SLU	Sale of goods (finished and in-progress)	213	104
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Pesquería Isla Mayor, SL)	Boost Nutrition, CV	Sale of goods (finished and in-progress)	85	5
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Pesquería Isla Mayor, SL)	S&B Herba Foods, Ltd	Sale of goods (finished and in-progress)	0	123
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Agropecuaria Isla Mayor, SL)	Herba Ricemills, SLU	Sale of goods (finished and in-progress)	1	0
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Fitoplacton Marino, SL)	Arotz Foods, SA	Purchase of goods (finished and in-progress)	-32	375
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Fitoplacton Marino, SL)	Arotz Foods, SA	Sale of goods (finished and in-progress)	16	1
Grupo Tradifín, SL Hercalianz Investing Group, SL	Company	Instituto Hispánico del Arroz, SA (Fitoplacton Marino, SL)	Arotz Foods, SA	Other income	0	6
Grupo Tradifín, S.L.	Company	Cabher 96, SL	Herba Ricemills, SLU	Purchase of goods (finished and in-progress)	113	119
Grupo Tradifín, S.L.	Company	Real Club de Golf de Sevilla, SL	Herba Ricemills, SLU	Purchase of services	0	11

27.3 <u>Other transactions with significant shareholders and directors/executives: dividends received from Ebro Foods, S.A.</u>

Against the backdrop of the general dividend policy of Ebro Foods, S.A., the following amounts were paid in each reporting period (expressed in thousands of euros):

Dividends 2017 (2016):

- Dividends paid to significant shareholders: 12,700 (16,646)

- Dividends paid to directors and executives: 40,637 (31,038)

27.4 Transactions undertaken with other Ebro Group companies that are not eliminated in the consolidated financial statements and whose purpose or terms fall outside the Group's ordinary course of business or other than on an arm's length basis

There were no related-party transactions of this type in either reporting period.

27.5 Related-party transactions

The note summarizes the transactions performed in 2017 and 2016 between the Ebro Group and "Other related parties" (amounts in thousands of euros):

Related party	Ebro Group company with which the transaction was performed	Type of transaction	2017 Amount	2016 Amount
Hernández Barrera Servicios, SA	Herba Ricemills, SLU	Services rendered	2	0
	Herba Ricemills, SLU	Purchase of services	291	259
	Herba Foods, SLU	Purchase of services	0	59

Note that one of the directors of Hernández Barrera Servicios, S.A. is Félix Hernández Callejas, the natural person representing Hercalianz Investing Group, S.L. on the Board of Directors of Ebro Foods, S.A.

Note additionally that in 2017 (2016), under the scope of the general dividend policy of Ebro Foods, S.A., the latter paid "Other related parties" (natural person representatives of legal person directors of the Board of Directors of Ebro Foods, S.A.) the sum of 2 thousand euros (zero) in dividends.

27.6 Other disclosures

The next table itemizes the transactions entered into between Ebro Group companies and Riso Scotti (an associate that is not fully consolidated by the Ebro Group) in 2017 and 2016 (amounts in thousands of euros):

Ebro Group company with which the transaction was performed	Type of transaction	2017 Amount	2016 Amount
Herba Ricemills, SLU	Purchase of goods (finished and in-progress)	176	367
Herba Ricemills, SLU	Services rendered (income)	0	9
Herba Ricemills, SLU	Sale of goods (finished and in-progress)	103	204
Herba Ricemills, SLU	R&D transfers and license agreements	9	0
Herba Ricemills, SLU	Other income	5	0
Mundiriso, S.R.L.	Purchase of goods (finished and in-progress)	185	0
Mundiriso, S.R.L.	Sale of goods (finished and in-progress)	2,807	0
Arrozeiras Mundiarroz, S.A.	Purchase of goods (finished and in-progress)	51	0
Herba Ingredients, B.V.	Purchase of goods (finished and in-progress)	59	0
Riceland Magyarorszag, KFT	Purchase of goods (finished and in-progress)	129	0
Ebro Foods, S.A.	Dividends received	750	509
Ebro Foods, S.A.	Services rendered (income)	6	0

Ebro Foods, S.A. holds a 40% shareholding in Riso Scotti S.p.A. The investment in this associate is accounted for using the equity method.

Mr. Antonio Hernández Callejas, Chairman of Ebro Foods, S.A., is a director of Riso Scotti, S.p.A.

27.7 Fiduciary duties: conflicts of interest and non-compete duty

In keeping with article 229 of Spain's Corporate Enterprises Act, this section of this note replicates the information provided to the Company by its directors, or by their natural person representatives as warranted, in keeping with their fiduciary duties, regarding their interests and positions held in/at companies with the same, analogous or complementary core business as that of Ebro Foods, S.A., irrespective of whether the former are part of the Ebro Foods Group.

- Grupo Tradifín, S.L.:
  - Direct 50% interest in Instituto Hispánico del Arroz, S.A. Also the CEO.
  - Direct shareholding of 100% in Cabher 96, S.L. Sole director.
- Ms. Blanca Hernández Rodríguez (the natural person who represents Grupo Tradifín, S.L. on the Board of Directors of Ebro Foods, S.A.):
  - Indirect interest in Instituto Hispánico del Arroz, S.A. of 16.625% through the 33.25% interest held directly in Grupo Tradifín, S.L. She does not hold a position at this company.
  - Indirect interest in Cabher 96, S.L. of 33.25% through the 33.25% interest held directly in Grupo Tradifín, S.L. She does not hold any position at this company.
- Hercalianz Investing Group, S.L.:
  - Direct 50% interest in Instituto Hispánico del Arroz, S.A. Also the CEO of Instituto Hispánico del Arroz, S.A.
- Mr. Félix Hernández Callejas (the natural person who represents Hercalianz Investing Group, S.L. on the Board of Directors of Ebro Foods, S.A.):
  - Indirect interest of 16.666% in Instituto Hispánico del Arroz, S.A. through the 33.333% interest held directly in Hercalianz Investing Group, S.L. Also the CEO.
- Mr. Antonio Hernández Callejas:
  - Indirect interest of 16.666% in Instituto Hispánico del Arroz, S.A. through the 33.333% interest held directly in Hercalianz Investing Group, S.L. He does not hold a position at this company.

It is additionally noted that Dr. Rudolf-August Oetker, a board member until June 1, 2017, held a direct interest of 12.5% in Dr. August Oetker KG, an investee at which he held the position of Chairman of the Advisory Board.

The directors of Ebro Foods, S.A. (or their natural person representatives, as warranted) did not perform any transactions with the Company outside of its ordinary course of business or other than on an arm's length basis in either reporting period.

The directors have not informed the Company of any direct or indirect potential conflicts of interest between them or their related parties and the Company other than those disclosed in this note.

27.8 **Director and officer remuneration**

Director remuneration.- The remuneration accrued by the members of the Board of Directors of Ebro Foods, S.A. totaled 5,533 thousand euros in 2017 (2016: 5,672 thousand euros), broken down as follows (amounts in thousands of euros):

DIRECTOR REMUNERATION AND OTHER BENEFITS	2017	2016
TYPE OF REMUNERATION		
Meeting attendance fees	277	287
Bylaw-stipulated profit-sharing	2,728	2,728
Total director remuneration	**3,005**	**3,015**
Wages, salaries and professional fees	2,528	2,657
Termination and other benefits	0	
Total executive director remuneration	**2,528**	**2,657**
TOTAL REMUNERATION	**5,533**	**5,672**
OTHER BENEFITS		
Life insurance and post-employment benefits	0	0

The Company's bylaws stipulate remuneration of up to 2.5% of consolidated net profit for the year provided that the required appropriations to the legal reserve have been made and the minimum shareholder dividend established in prevailing legislation has been declared (currently 4% of the par value of the shares).

At a meeting held on February 28, 2018, the Board of Directors resolved, at the recommendation of its Nomination and Remuneration Committee:

(i) to leave the by-law stipulated remuneration unchanged year-on-year, specifically implying submission at the 2018 Annual General Meeting of a motion to pay a sum of 2,728 thousand euros, which is equivalent to 1.236% of consolidated profit attributable to equity holders of the parent in 2017 (compared to 1.61% of 2016 profit); and

(ii) to leave attendance fees at 1,600 euros per Board meeting and 800 euros per meeting of its various committees.

The individual breakdown of director remuneration earned in 2017 (in thousands of euros) is provided below:

Director	By-law stipulated profit-sharing	Attendance fees	Fixed remuneration for performance of executive duties	Variable remuneration for performance of executive duties	Total payment
Hernández Callejas, Antonio	447	28	1,027	1,501	**3,003**
Carceller Arce, Demetrio	411	30	0	0	**441**
Alimentos y Aceites, S.A.	140	18	0	0	**158**
Barreiro Pérez-Pardo, Belén (director since January 25, 2017)	174	22	0	0	**196**
Castelló Clemente, Fernando	182	29	0	0	**211**
Comenge Sánchez-Real, José Ignacio	178	22	0	0	**200**
Corporación Económica Delta, S.A. (director since June 16, 2017)	82	10	0	0	**92**
Costa García, Mercedes	181	22	0	0	**203**
Empresas Comerciales e Industriales Valencianas, S.L	140	14	0	0	**154**
Fernández Alonso, Javier (director since January 25, 2017)	307	22	0	0	**329**
Grupo Tradifín, S.L.	207	29	0	0	**236**
Hercalianz Investing Group, S.L. **(*)**	168	18	0	0	**186**
Oetker, August (director until June 1, 2017)	58	8	0	0	**66**
Segurado García, José Antonio (director until February 16, 2017)	53	5	0	0	**58**
TOTAL	**2,728**	**277**	**1,027**	**1,501**	**5,533**

(*) Hercalianz Investing Group, S.L. did not perform either executive or management duties at Ebro Foods, S.A. or at any subsidiary and therefore did not receive any remuneration in this respect. It is categorized as an executive director based on the fact that the natural person representing this entity on the Board of Directors of Ebro Foods, S.A. is an executive at an Ebro Group subsidiary.

The director remuneration itemized in the table above includes the amounts received by the following directors since they became members of the Board of Directors on the dates indicated below:

- Remuneration received by Ms. Belén Barreiro Pérez-Pardo since January 25, 2017.
- Remuneration received by Mr. Javier Fernández Alonso since January 25, 2017.
- Remuneration received by Corporación Económica Delta, S.A. since June 28, 2017.

By the same token, this same table reflects the remuneration received by José Antonio Segurado García and Dr. August Oetker until they ceased to be directors with effect from February 16, 2017 and June 1, 2017, respectively.

It is hereby noted that the director remuneration itemized in this note includes the attendance fees received by the Chairman of the Board of Directors of Ebro Foods, S.A., Mr. Antonio Hernández Callejas, in his capacity as director of Pastificio Lucio Garofalo, S.p.A. (an Ebro Foods Group company), in the amount of 5,000 euros in both reporting periods.

It is further noted that in both reporting periods, the Chairman of the Board of Directors received the sum of 5,200 euros in the form of attendance fees for performance of his duties as director of Riso Scotti, S.p.A. (an associate; note 27.6).

Of the total variable remuneration earned by the Chairman of the Board of Directors for performance of executive duties in 2017, 485 thousand euros correspond to the Deferred Annual Bonus Scheme tied to the Group's 2013-2015 Business Plan in respect of 2015. That sum represented up to 50% of the deferred bonus entitlement accrued over the term of the three-year scheme, which was provided for in the 2015 financial statements and settled in 2017.

Elsewhere, in relation to the total remuneration earned by the Chairman of the Board of Directors for the performance of his executive duties in 2017, the 2017 financial statements recognize a provision of 788 thousand euros in respect of the provisional estimate of the amount corresponding to 2017 under the Deferred Annual Bonus Scheme tied to the Group's 2016-2018 Plan, which represents up to 25% of the deferred bonus entitlement expected to be accrued during the three-year period. This figure will be paid in 2019.

These bonus schemes are not tied to Ebro Foods' share price performance nor do they entitle their beneficiaries to the receipt of shares or any rights over such shares.

Elsewhere, none of the members of the Board of Directors benefits from complementary life insurance or pension cover. Moreover, the Company has neither extended any form of credit or advances to the members of its Board of Directors nor assumed any obligations on their behalf under guarantees.

Officer remuneration

- A total of 10 people were considered officers of Ebro Foods, S.A. at both year-ends; in 2017 these executives accrued aggregate remuneration (fixed wages and salaries and annual bonuses) of 2,219 thousand euros (2,164 thousand euros in 2016).

  “Officers” means the professionals responsible for Ebro Foods, S.A.'s most important departments regardless of whether they have special senior management employment agreements with the Company. Note that this group of officers includes the Chief Operating Officer (COO) of the Ebro Group.

- Elsewhere, the professionals in charge of the Ebro Group's main business units (other than the Chairman of the Board and COO of the Group) numbered five at year-end 2017 and 2016. Their total aggregate remuneration in 2017 was 1,705 thousand euros, 841 thousand US dollars and 457 thousand Canadian dollars (1,718 thousand euros, 920 thousand US dollars and 464 thousand Canadian dollars in 2016), corresponding to fixed wages and salaries and annual bonuses.

- Ten Ebro Group employees (other than the Chairman of the Board of Directors) were covered by the Deferred Annual Bonus Scheme at December 31, 2017 (12 at year-end 2016). Total aggregate remuneration effectively collected under that scheme in 2017 (corresponding to that accrued in 2015) amounted to 747 thousand euros and 395 thousand US dollars, a figure representing up to 50% of the bonuses earned during the three-year term of the 2013-2015 Scheme and which had been provided for in the 2015 financial statements.

  In addition, the Group provisioned 825 thousand euros and 338 thousand US dollars in its 2017 financial statements for the remuneration accrued by these same Group professionals under the Deferred Annual Bonus Scheme corresponding to that year, a figure representing up to 25% of the bonuses to be accrued under the 2016-2018 Scheme. This sum is payable, under the rules of the Scheme, in 2019.

Although two executives' employment contracts include golden parachute clauses clauses in the event of dismissal or change of control, those clauses are not applicable under the very terms governing those same contracts.

Note lastly for the record that Ebro Foods, S.A. has taken out civil liability insurance cover for its directors and officers; these policies cover all of its subsidiaries up to an annual claims cap of 45 million euros. The policies cost 65 thousand euros in 2017 (60 thousand euros in 2016), are effective until April 30, 2018 and are currently in the process of being renewed.

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

The primary objective of the Group's risk management policy is to safeguard the value of its assets and facilitate its sustainable growth by configuring an optimal capital structure tailored to the legislation in force in the countries in which it operates. In addition, its capital management policy is designed to preserve its credit metrics and maximize shareholder value.

Its risk management strategy encompasses key business performance indicators such as earnings, leverage, capital expenditure and business strategy with a view to enabling the Group to take substantiated decisions in order to deliver the above-mentioned objectives. The attached Group Management Report and Corporate Governance Report provide additional information on the key business risks.

Capital management

The overriding objective of the Group's capital management is to safeguard the business's sustainability and maximize shareholder value. To this end it contemplates:

- The cost of capital, in keeping with industry calculation standards, with a view to combining debt and equity to optimize this cost.
- A leverage ratio that makes it possible to obtain and maintain the targeted credit ratings and ensure short- and long-term financing for the Group's projects.

The right combination of debt and equity, in order to optimize the cost of capital, enable adequate shareholder remuneration, business continuity and growth of the Ebro Food Group's business model.

Note that the Group is subject to capital requirements under certain long-term loan agreements and that it is in compliance with these covenants (note 22).

In recent years, the Group has been concentrating its activities in its key businesses by means of strategic acquisitions, while keeping leverage low.

NET DEBT (thousands of	2015	2016	*2016/2015*	2017	*2017/2016*
Equity	1,966,259	2,079,326	*5.8%*	2,074,637	*-0.2%*
Net debt	426,280	443,206	*4.%*	517,185	*16.7%*
Average net debt	424,940	404,137	*-4.9%*	426,042	*5.4%*
Leverage	21.7%	21.3%	*-1.7%*	24.9%	*17.%*
Leverage (average) (1)	21.6%	19.4%	*-10.1%*	20.5%	*5.7%*
EBITDA	314,724	344,141	*9.3%*	359,000	*4.3%*
Coverage	1.35	1.29		1.44	

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

The accompanying Group Management Report provides the definition and reconciliation of the alternative performance measures shown in this table (net debt, average net debt and EBITDA).

Group leverage (net debt over equity attributable to equity holders of the parent) was flat in 2015 (it increased slightly in average debt terms due to the trend in the dollar exchange rate and the acquisition of the bio and fresh products businesses in France), declined in 2016, when borrowings were virtually steady, and increased in 2017 as a result of a small increase in net debt on the back of acquisitions and coverage of working capital needs, coupled with the decline in equity on account of the movement in translation differences, due mainly to the impact of the movements in the US dollar on unhedged investments denominated in this currency. Nevertheless the Group leverage ratio remains comfortably within the targeted range.

Financial risk management and use of financial instruments

The main financial instruments used by the Group are bank loans, bank overdraft facilities, equity instruments, derivative financial instruments, cash and short-term deposits. In addition, the Group has other financial assets and liabilities such as trade accounts receivable and payable.

These financial instruments expose the Group to market risks via variability in interest rates, exchange rates and in the fair value of certain financial instruments. They also expose it to liquidity and credit risk.

The overriding objective of exchange rate risk management is to offset (at least partially) potential valuation losses on assets denominated in currencies other than the euro with savings, albeit smaller in magnitude, on liabilities denominated in the same currencies.

The financial instruments that are used to hedge this financial risk may or may not qualify for designation as accounting hedges (cash flow or fair value hedges, depending on the nature of the hedged item).

In order to manage the foreign currency and interest rate risks arising in the course of the Group's operations and, from time to time, potential movements in the prices of certain raw materials (gas), the Group uses derivative (mainly interest or exchange rate forward sale-purchase currency contracts and options over interest or exchange rates) and non-derivative (currency-denominated borrowings) financial instruments in order to minimize or ring-fence them.

These hedges are arranged as a function of:

- Prevailing market conditions;
- Evolving management objectives; and
- The specific characteristics of the transactions giving rise to the financial risk being hedged.

The accounting policies used to measure these financial instruments are described in note 3 above.

The Board of Directors and senior management team review and establish the risk management policies applying to each and every one of these risks. The Board has delegated the development and oversight of the enterprise risk management system in its Audit Committee and the Risk Committee.

(THOUSANDS OF EUROS)

Cash flow interest rate risk

This risk arises from borrowings, loans extended and cash and cash equivalent balances denominated in euros and/or foreign currencies and arranged at floating rates of interest due to the risk that the cash flows associated with interest payments/receipts will fluctuate because of changes in market interest rates.

The Group manages this risk by having a balanced portfolio of fixed and variable rate borrowings. The Group's policy is to minimize exposure to this risk, to which end it continually monitors market conditions with the support of external experts in order to arrange new instruments or change the terms of existing instruments in order to minimize exposure to variability in the cash flows or fair value of its financial instruments.

Management has performed sensitivity analysis with respect to the impact of 50 basis point fluctuations in interest rates on the Group's rate-sensitive financial assets and liabilities with an impact on earnings: the estimated impact on profit in 2017 of such a change would be 1.9 million euros (1.9 million euros in 2016).

The main assumptions used to perform this sensitivity analysis are as follows:

- The analysis only models the impact on financial instruments susceptible to significant changes in the event of upward or downward movements in interest rates.

- The only input varied is the rate of interest, with all other variables held constant in the model.

Effect of changes in interest rates

	2017				2016			
Income/(expense)	**-0,50%**	**-0,25%**	**-0,25%**	**-0,50%**	**-0,50%**	**-0,25%**	**0,25%**	**0,50%**
Profit before tax	1,938	964	-964	-1,938	1,872	936	-936	-1,872

Foreign currency risk

This risk arises from exposure to the impact of movements in exchange rates on assets, liabilities, net investments in foreign operations and transactions conducted in currencies other than the euro.

As a result of the Group's investments in the US, the carrying amounts of the Group's assets and liabilities are significantly exposed to changes in the USD / EUR exchange rate. The Group attempts to mitigate the impact of its structural exchange rate risk by securing some of its loans in US dollars so that a very significant portion of its investments in the US are hedged naturally.

Other borrowings at December 31, 2017 include a loan of 171 million US dollars (two loans totaling 251 million US dollars at year-end 2016) (note 22) that has been designated as a hedge of net investments in the Group's US subsidiaries and is used to hedge its exposure to US dollar foreign exchange rate risk on these investments. The gains or losses on retranslation of these borrowings into euros are recognized in equity in order to offset any gains or losses on the translation of the net investments in these subsidiaries.

The Group is also exposed to foreign exchange rate risk on account of its transactions. This risk arises from the purchases and sales made by the business units in currencies other than the functional currency. In the case of significant transactions, the Group's policy is to use foreign exchange forward contracts to eliminate or minimize the related exchange rate risk.

Certain Group companies in the rice (Herba Spain, S&B Herba, Herba Ingredients and Herba Bangkok) and pasta segments (Panzani and Garofalo) write foreign currency future contracts and/or options in order to mitigate their transaction-related exposures. These transactions are arranged to minimize currency risk but have not been designated as hedges for accounting purposes. The contracts outstanding at year-end:

	Notional balance (thousands)	
Currency	**2017**	**2016**
USD	91,063	127,091
EUR	8,615	19,091
GBP	578	2,570
THB	418,600	157,000

The Group is long on US dollars; these contracts basically hedge raw material contracts benchmarked against the dollar entered into by Group subsidiaries that operate in a different local currency. The euro positions are held by Group companies with functional currencies other than the euro and which trade in euros, mainly UK companies.

Below is a sensitivity analysis, measured in terms of the impact on profit or loss, with respect to the Group's key exposures to exchange rate risk by currency and type of instrument. The instruments grouped under “Other financial instruments” are loans or cash positions denominated in the currency referenced that do not qualify as accounting hedges.

The sensitivity analysis provided below should be understood as the Group's maximum exposure at a given point in time; in reality, the Group always hedges business transactions denominated in a currency to which management wants to mitigate exposure; however, these transactions do not quality for hedge accounting on account of the complexity of matching flow timing.

The following assumptions were used to model the sensitivity of the Group's assets and liabilities to changes in exchange rates:

- The analysis only models the impact on financial instruments susceptible to significant changes in the event of fluctuations in exchange rates.

- Borrowings designated as effective hedges of net investments are excluded from this analysis.

(THOUSANDS OF EUROS)

- The only input varied is the rate of exchange, with all other variables held constant in the model.

Effect of changes in the Thai Baht relative to the euro

Due to derivatives:

	2017				2016			
Income/(expense)	-10,00%	-5,00%	5,00%	10,00%	-10,00%	-5,00%	5,00%	10,00%
Profit before tax	-527	-1,006	580	1,221	-197	-377	218	459

Effect of changes in the sterling relative to the euro

Due to derivatives:

	2017				2016			
Income/(expense)	-10,00%	-5,00%	5,00%	10,00%	-10,00%	-5,00%	5,00%	10,00%
Profit before tax	603	299	-302	-612	1,006	497	-508	-1,052

Due to other financial instruments:

	2017				2016			
Income/(expense)	-10,00%	-5,00%	5,00%	10,00%	-10,00%	-5,00%	5,00%	10,00%
Profit before tax	-1,695	-888	888	1,695	-2,491	-1,305	1,305	2,491

Effect of changes in the dollar relative to the euro, sterling and Baht

Due to derivatives:

	2017				2016			
Income/(expense)	-10,00%	-5,00%	5,00%	10,00%	-10,00%	-5,00%	5,00%	10,00%
Profit before tax	-4,768	-2,187	2,209	2,518	-5,147	-1,786	1,499	85

Due to other financial instruments:

	2017				2016			
Income/(expense)	-10,00%	-5,00%	5,00%	10,00%	-10,00%	-5,00%	5,00%	10,00%
Profit before tax	1,444	757	-757	-1,444	1,465	768	-768	-1,465

In addition to the exposure measured in terms of the impact on profit or loss, the next table illustrates the impact of movements in the EUR/USD exchange rate on the Group's borrowings, an analysis deemed relevant as a significant portion of the Group's debt and cash is denominated in dollars. The year-on-year movement in the impact reflects the trend in the Group's cash position in US dollars as a result of its business operations in the US: at year-end 2017 the dollar cash position exceeded the amount of borrowings denominated in dollars for the first time.

Impact on borrowings

Changes in the USD

	2017				2016			
+ Borrowings / (- Borrowings)	-10,00%	-5,00%	5,00%	10,00%	-10,00%	-5,00%	5,00%	10,00%
Borrowings as per balance sheet	3,760	1,969	-1,969	-3,760	-1,550	-812	812	1,550

Price risk in respect of other financial assets and liabilities

Certain of the Group's financial assets and liabilities expose it to price risk. The most significant exposure derives from the valuation of the put-call options over 48% of the shares of the Garofalo Group and of Santa Rita Harinas (note 26).

Liquidity risk

The Group's objective is to match its cash flow generation capabilities with its debt servicing and refinancing requirements. The Group aims to maintain a balance between continuity of funding and flexibility through the use of renewable credit facilities, bank loans with scope for grace periods to align them with the returns on the underlying assets and forward purchase contracts.

Note 22 analyzes the Group's borrowings at year-end 2017 by maturity.

Credit (counterparty) risk

This is the risk that a counterparty will not meet its contractual obligations, generating a financial loss for the Group.

This risk is mitigated by means of careful selection of transactions and counterparty banks based on credit ratings and the negotiation of sufficient guarantees to mitigate this risk.

The Group has always taken a conservative approach to business transactions; it has risk committees that continually review limits, open positions and automated system alerts. As a result, the Group's trade credit non-performance ratio has been historically low. In addition, the sales and collections management departments work in a coordinated manner. Counterparties are selected on the basis of the credit ratings awarded by the credit insurance providers with which the Group works, these policies ultimately serving as guarantees. The Group's high level of geographic diversification results in a low level of customer credit risk concentration.

Fair value of financial instruments

The table below breaks down the Group's financial assets and liabilities at December 31, 2017 (in thousands of euros) other than its accounts payable and receivable or its cash and cash equivalents whose carrying amounts are deemed a reasonable approximation of their fair value. The carrying amounts shown in the table below are not materially different from these instruments' fair value.

(THOUSANDS OF EUROS)

	Carrying amount at December 31, 2017
Financial assets	
Loans	28,088
Equity instruments	37,821
Other instruments	3,098
TOTAL NON-CURRENT	**69,007**
Loans	7,514
Other instruments	1,122
Derivatives	146
TOTAL CURRENT	**8,782**
Financial liabilities	
Borrowings	365,163
Other financial liabilities	107,190
TOTAL NON-CURRENT	**472,353**
Borrowings	308,216
Other financial liabilities	1,978
Derivatives	4,293
TOTAL CURRENT	**314,487**

Financial assets and liabilities measured at fair value: fair value hierarchy

All of the financial instruments measured at fair value are classified into one of the following levels depending on the inputs used to value them:

- Level 1. Use of quoted prices in active markets of identical assets and liabilities (without any adjustment)
- Level 2. Use of directly or indirectly observable inputs (other than level 1 quoted prices)
- Level 3. Use of unobservable inputs

	Dec. 31, 2017	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Equity instruments	-	-	-	-
Derivatives	146	-	146	
Financial liabilities				
Other financial liabilities	97,192	-	-	97,192
Derivatives	4,293	-	4,293	-

Level 3 reflects the liabilities recognized under IAS 39 in connection with the shareholdings pending acquisition in Herba Ingredients, Santa Rita Harinas, Transimpex and the Garofalo Group.

The Group does not hold any financial instruments whose fair value cannot be reliably measured. No instruments were transferred between the various fair value hierarchy levels in the course of 2014.

29. ENVIRONMENTAL DISCLOSURES

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

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

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

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

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

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

To minimize its environmental footprint, Ebro Foods builds environmental protection into its business development and deploys the tools, measures and resources needed to guarantee protection at its subsidiaries. More specifically, the Group's environmental policy is articulated around three lines of initiative:

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

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

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

- Rolling out environmental employee training and awareness programs.

To guarantee compliance with the packaging and packaging waste reduction, recycling and recovery objectives laid down in Spanish Law 11/97, of April 24, 1997, the Group's Spanish subsidiary Herba is a member of Ecoembalajes España, S.A. (Ecoembes), whose mission is to design and develop systems oriented towards collecting, sorting and recovering used packaging and packaging waste. Ecoembes uses the concept known as the Green Dot (the symbol featured on the packaging) to certify that the product's packager has paid a certain amount of money for each item of packaging it places on the market.

In tandem, both the European rice subsidiaries and Ebro Foods' head offices have entered into agreements with entities akin to Ecoembes for the destruction of paper and other materials. These agreements allow them not only to comply with data protection legislation but also to guarantee the sustainable management of this documentation through recycling commitments.

Elsewhere, under the scope of the undertakings assumed with respect to the rest of the value chain, in 2016, the Group embarked on a program to control the environmental performance (along ESG dimensions) of its industrial suppliers by means of ethics audits, helping them to enhance their environmental management practices as appropriate, using the SEDEX platform as its management tool. In 2017, it worked on the engagement phase with the aim of explaining the initiative to the Group's suppliers and asking them to register in SEDEX in order to permit evaluation of their performance along ESG criteria. Once the process of reaching out to suppliers is complete, the Group will undertake a risk analysis to define priorities for the ethics audit plan to be conducted (final phase).

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

Under the umbrella of the SAI Platform (http://www.saiplatform.org/), an entity of which the Group has been a member since 2015, in 2016 it began work on the SAIRISI project, a program developed in Italy with several members of the SAI-P (Unilever, Kellogg, Migros) with the goal of evaluating growers under the SAI-P standard and offering them specialist training via Enterisi and sector professionals (universities, NGOs, etc.) so that they can improve their performance. In 2017 the Group expanded the range of growers receiving training to 140 and the program was split into two streams, one for beginners, made up of three training sessions addressing soil preparation, seed planting and precision farming, among other matters, and another for advanced growers (those participating in the training scheme for the second year), consisting of two master classes given at the universities of Turin and Milan addressing nutrients, fertilization and water management. Both courses were rounded out with four rice field visits and a strategy meeting to define the targets for 2018-2020.

2017 also marked completion of the LIFE EBROADMICLIM project, which was run by the IRTA (acronym in Spanish for the food technology research institute). This program, in which the Group participated along with Kellogg between 2015 and 2017, was designed to identify greenhouse gas offset strategies using alternative water management systems in a number of rice paddies in the Ebro River Delta. The most widely used emissions prediction tool is the Cool Farm Tool. However, this pioneering IRTA study identified differences between actual emissions at the Ebro River Delta fields and those predicted by the model, which was developed principally in Asia. As a result, an assessment is underway to determine whether this tool can be adapted for the specific characteristics of rice growing or whether it is necessary to create a new predictive model exclusively for this cereal.

In addition to the SAI Platform, the Group has also been a member since 2016 of the Sustainable Rice Platform (SRP) (http://www.sustainablerice.org/), whose aim is broadly similar to that of the SAI-P, albeit with a specific focus on rice and targeted at rice-growers in developing markets. Under this initiative, the Group is working on fostering implementation of the SRP's sustainable rice-growing standard in India, Pakistan and the Asian countries from which it procures rice. Against this backdrop, in 2017, the Group's Indian subsidiary, together with the Rainforest Alliance (https://www.rainforest-alliance.org/business/es), launched a pilot project involving the implementation of the SRP standard by a group of organic rice farmers in northern India. This program encompasses three different phases: assessment, training and implementation and will run until 2018.

Lastly, various Group companies have arranged civil liability insurance that covers third-party damage caused by a sudden and unintentional spill. Management believes that this policy adequately covers any potential risk in this respect. To date the Group has not been party to any material environmental-related claims; on the other hand it can claim a positive record on the basis of the results of audits and inspections and the lack of any pleas in respect of its integrated environmental permit processes, etc.

30. FEES PAID TO AUDITORS

External services in the consolidated income statement include the fees paid to the auditors of the consolidated financial statements.

The fees paid for account auditing and other services to the Company's auditor, Ernst & Young, S.L., and entities related to the latter by means of control, joint ownership or joint management, in 2017 and 2016 were as follows:

- The fees corresponding to auditing services provided in 2017 amounted to 1,662 (2016: 1,470) thousand euros; those corresponding to other assurance services amounted to 115 (2016: 197) thousand euros.

- The fees for tax advisory and and/other services totaled 502 (2016: 267) thousand euros.

31. EVENTS AFTER THE REPORTING PERIOD

Bertagni.

As part of its ongoing strategic bid to become a global benchmark in the premium food business, the Ebro Group, through two of its subsidiaries, Panzani, S.A.S. and Pastificio Lucio Garofalo, S.p.A., has entered into a binding agreement for the acquisition of a majority interest (70%) in Italy's Bertagni 1882, S.p.A ("Bertagni").

Bertagni, with factories in Vicenza and Alvio (Italy) and a headcount of 275, is known as the oldest filled pasta brand in Italy. An expert in the production of fresh pasta in the premium segment, it boasts deep know-how and a terrific portfolio of products. In 2017, it generated revenue of over 70 million euros, over 90% of which outside of Italy. With the aim of guaranteeing the company's continued success, its current shareholders and managers, Antonio Marchetti and Enrico Bolla, will retain ownership of the other 30% of Bertagni and will continue to manage the business in the autonomous, professional and innovative manner they have done to date, taking advantage of the synergies brought by membership of the Ebro Group in parallel. The transaction price valued Bertagni at 130 million euros (100% of its equity, i.e., before any potential adjustments for debt).

This transaction has to be authorized by the anti-trust authorities and is expected to close in the first quarter of 2018.

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

EBRO FOODS, S.A. GROUP

2017 MANAGEMENT REPORT (figures in thousands of euros)

1. COMPANY SITUATION

Organizational structure and business model

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Strategy and value creation

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

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

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

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

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

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

Lines of initiative

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

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

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

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

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

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

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

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

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

Growth drivers

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. BUSINESS PERFORMANCE AND RESULTS

General backdrop

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

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

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

Consumer trends

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

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

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

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

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

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

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

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

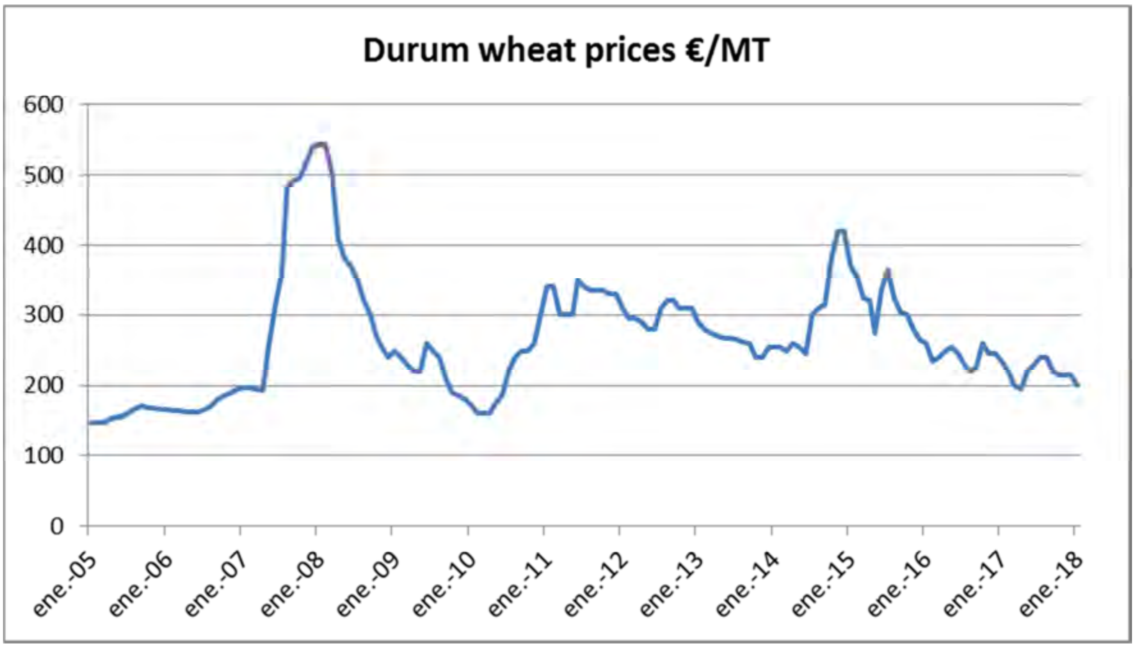
The unstoppable growth in internet access on the go (via smartphones and tablets) is fostering immediacy as a shopping factor and universalizing access. This paradigm, coupled with the advent of new automated systems (driverless cars, drones, etc.) and networking platforms which put consumers in contact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

Commodity markets

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

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

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

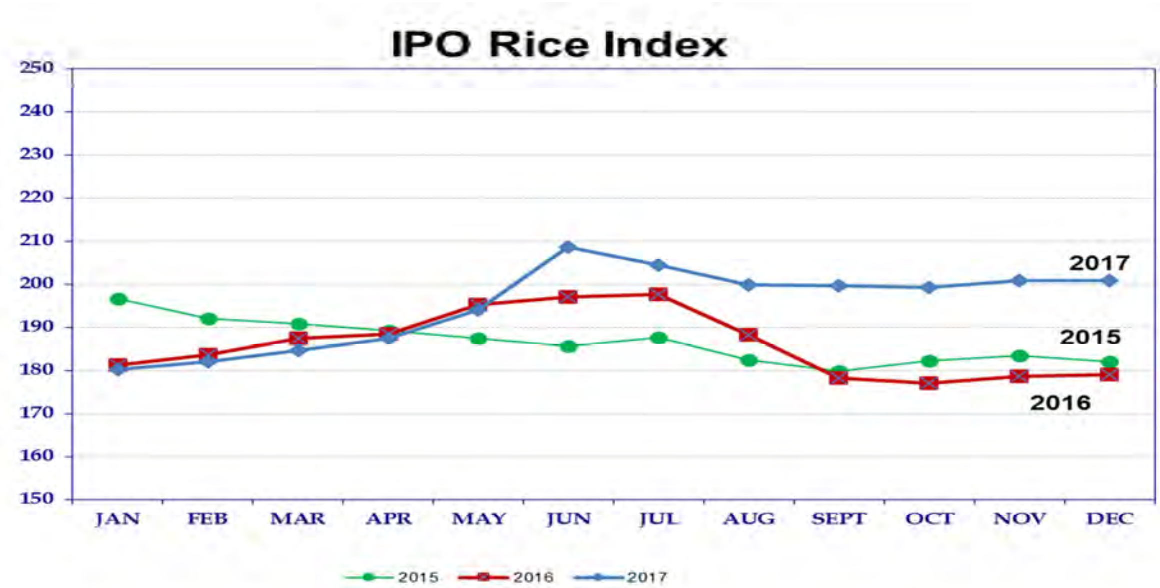


Source: Terre.net and Ebro data

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

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

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



2017 MANAGEMENT REPORT (figures in thousands of euros)

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

Group financial performance

The Group's key financial indicators are presented below:

INCOME STATEMENT FIGURES	2015	2016	2016/2015	2017	2017/2016	CAGR 17-15
Revenue	2,461,915	2,459,246	-0.1%	2,506,969	1.9%	**0.9%**
Advertising	(87,017)	(100,401)	-15.4%	(93,134)	7.2%	**3.5%**
As a % of revenue	-3.5%	-4.1%	-15.4%	-3.7%		
EBITDA	314,724	344,141	9.3%	359,000	4.3%	**6.8%**
As a % of revenue	12.8%	14.0%		14.3%		
EBIT	246,314	267,308	8.5%	279,314	4.5%	**6.5%**
As a % of revenue	10.0%	10.9%		11.1%		
Profit before tax	229,722	259,410	12.9%	264,131	1.8%	**7.2%**
As a % of revenue	9.3%	10.5%		10.5%		
Tax expense	(79,034)	(83,591)	-5.8%	(34,157)	59.1%	**-34.3%**
As a % of revenue	-3.2%	-3.4%		-1.4%		
Profit for the year from continuing operations	150,688	175,819	16.7%	229,974	30.8%	**23.5%**
As a % of revenue	6.1%	7.1%		9.2%		
Profit/(loss) after tax for from discontinued operat						
As a % of revenue						
Net profit	144,846	169,724	17.2%	220,600	30.0%	**23.4%**
As a % of revenue	5.9%	6.9%		8.8%		

BALANCE SHEET FIGURES	YE 2015	YE 2016	2016/2015	YE 2017	2017/2016
Equity	1,966,259	2,079,326	5.8%	2,074,637	-0.2%
Net debt	426,280	443,206	-4.0%	517,185	-16.7%
Average net debt	424,940	404,137		426,042	-5.4%
Leverage **(3)**	0.22	0.19		0.21	
Total assets	3,403,676	3,645,478	7.10%	3,660,700	0.4%

	2015	2016	2016/2015	2017	2017/2016
Average working capital requirement	482,300	461,991	4.2%	506,803	-9.7%
Capital employed	1,579,447	1,611,272	-2.0%	1,678,670	-4.2%
ROCE **(1)**	15.6	16.6		16.6	
Capex **(2)**	81,466	107,725	32.2%	120,671	12.0%
Average workforce	5,759	6,195	7.6%	6,521	5.3%

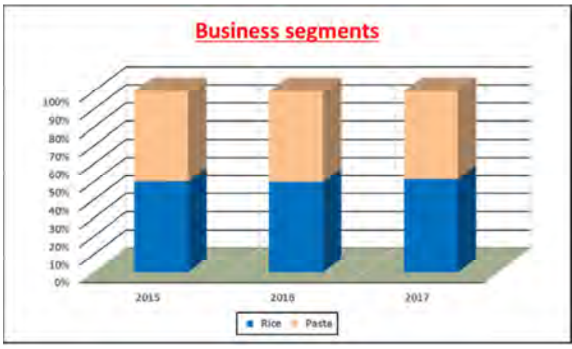
(1) ROCE = trailing twelve month EBIT / (intangible assets - PP&E - working capital)

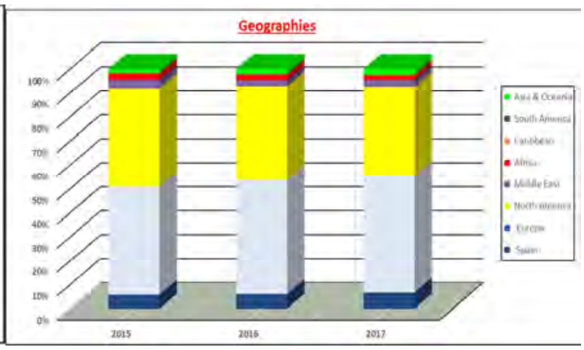
(2) Capex: cash outflows for investment purposes

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

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

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





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

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

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

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

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

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

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

Balance sheet metrics

2017 MANAGEMENT REPORT (figures in thousands of euros)

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

Highlights:

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

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

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

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

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

2017 MANAGEMENT REPORT (figures in thousands of euros)

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

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

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

Rice business

INCOME STATEMENT FIGURES	2015	2016	2016/2015	2017	2017/2016	CAGR 2017-2015
Revenue	1,287,726	1,283,853	-0.3%	1,345,026	4.8%	2.2%
Advertising	(28,988)	(30,135)	-4.0%	(33,466)	-11.1%	7.4%
EBITDA	176,959	196,264	10.9%	205,988	5.0%	7.9%
EBIT	147,509	163,561	10.9%	172,522	5.5%	8.1%
Operating profit	148,600	169,240	13.9%	174,027	2.8%	8.2%
Capex	39,555	47,391	19.8%	65,807	38.9%	29.0%

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

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

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

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

2017 MANAGEMENT REPORT (figures in thousands of euros)

US harvest prices (source: USDA)

August-July

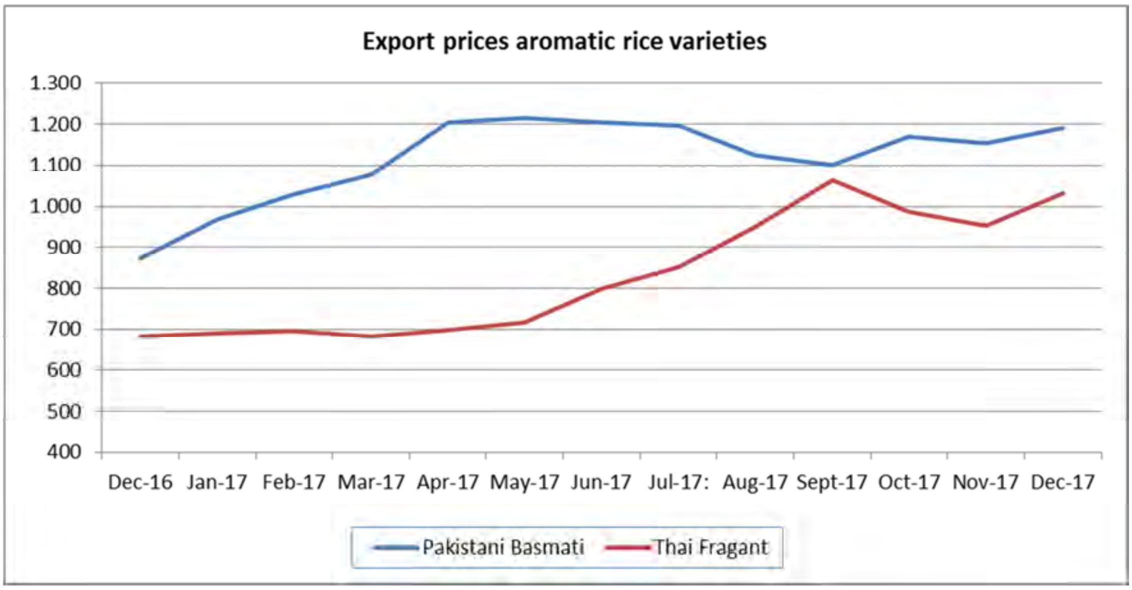
$/cwt	17/18 (*)	16/17	15/16	14/15	13/14
Average price	12.3-13.3	10.4	12.2	13.4	16.3
Long grain	11.6-12.6	9.64	11.2	11.9	15.4
Medium grain	14.2-15.2	12.9	15.3	18.3	19.2

(*) Estimated range

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

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

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



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

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

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

The highlights of 2017:

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

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

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

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

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

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

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

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

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

2017 MANAGEMENT REPORT (figures in thousands of euros)

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

	2015	2016	%	2017	%
Spain	23,191	27,903	38.7%	28,382	32.6%
Europe	41,307	40,261	55.9%	48,577	55.7%
Other	7,522	9,845	13.7%	10,210	11.7%
Total EBITDA	**72,020**	**78,009**	**100.00%**	**87,169**	**100.00%**

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

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

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

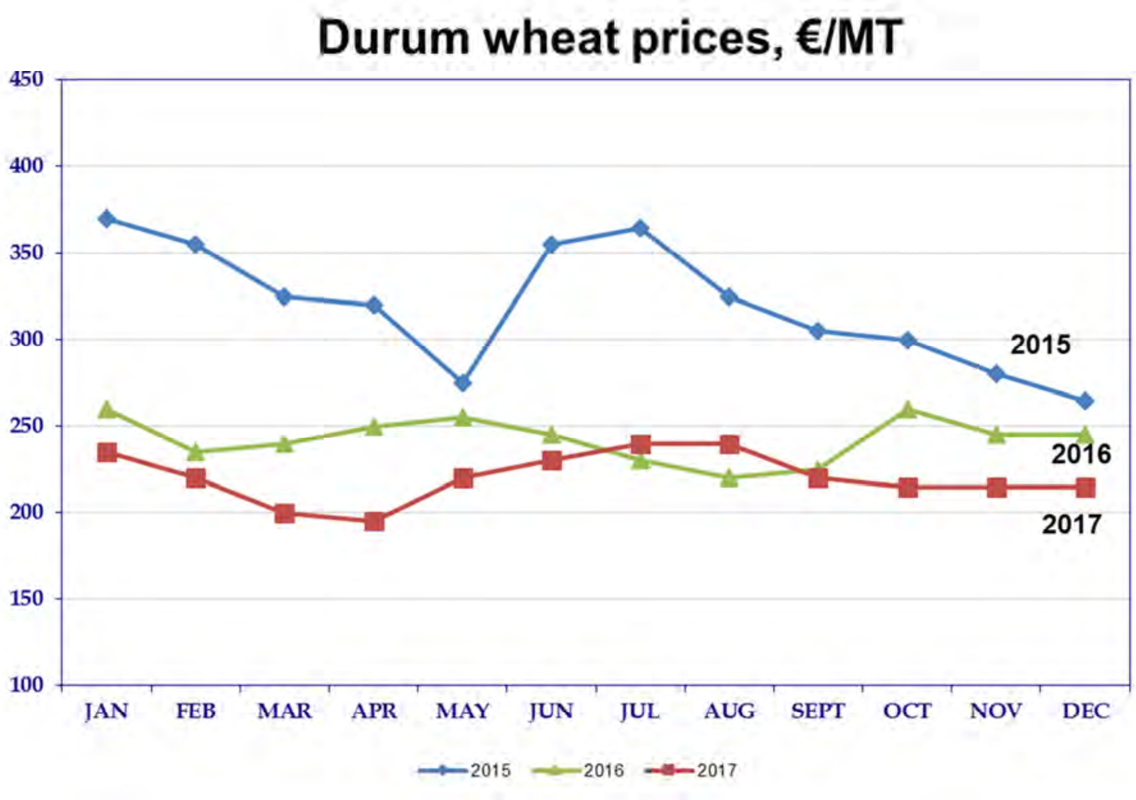
Capital expenditure increased again in 2017 and was focused on the high-growth business lines. The most important investments undertaken in the rice business corresponded to: (i) the new frozen foods factory in the US (17.5 million euros); (ii) the new pasta facilities in India (4.5 million euros); (iii)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

2017 MANAGEMENT REPORT (figures in thousands of euros)

Pasta business

INCOME STATEMENT FIGURES	2015	2016	2016/2015	2017	2017/2016	CAGR 2017-2015
Revenue	1,224,491	1,236,227	1.0%	1,218,285	-1.5%	-0.3%
Advertising	(58,231)	(70,840)	-21.7%	(66,154)	6.6%	6.6%
EBITDA	148,647	157,089	5.7%	162,977	3.7%	4.7%
EBIT	110,477	113,544	2.8%	117,420	3.4%	3.1%
Operating profit	104,957	93,294	-11.1%	102,032	9.4%	-1.4%
Capex	40,683	59,701	0,46746798	52,855	-11.5%	14.0%

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



Source: Terre.net

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

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

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

By geography:

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

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

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

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

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

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

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

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

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

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

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

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

Non-financial information (including staff and environmental disclosures)

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

Sustainability model

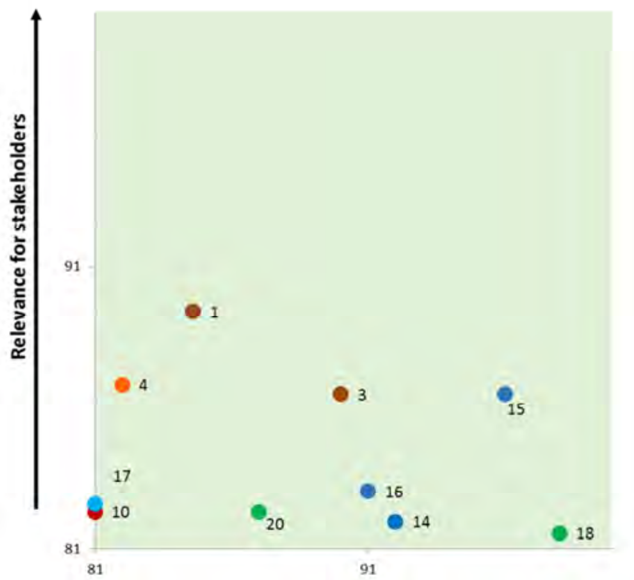
The Group defines its corporate social responsibility (CSR) effort as the creation of a sustainable business model that, in addition to creating value, profitability and competitiveness, contributes to society's progress and earns the confidence of its stakeholders.

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

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

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

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



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

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

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

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

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

Alliances with community work and environmental protection entities and institutions

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

Among these entities, the following stand out:

Signatory of the United Nations Global Compact

https://www.unglobalcompact.org/

Member of the Advisory Committee of the United Nations Sustainable Development Goals Fund (SDGF) for the support of the Sustainable Development Goals (SDGs)

http://www.sdgfund.org

Member of the Redistribution Committee of the initiative run by the Spanish association of food manufacturers and retailers, AECOC, to prevent food waste under the slogan, 'Food is not for wasting, make the most of it'

http://www.alimentacionsindesperdicio.com/

Member of the SERES Foundation, an entity devoted to engaging enterprises in the effort to improve society

http://www.fundacionseres.org/Paginas/Inicio.aspx

Member of Forética, an association of socially responsible enterprises

http://www.foretica.org/

Member of the Lealtad Foundation, a non-profit institution that provides information designed to help enterprises decide which NGOs to collaborate with

http://www.fundacionlealtad.org/

Patron of the SECOT Foundation, a mentoring NGO

http://www.secot.org/

Sustainable Agriculture Initiative (SAI) Platform

http://www.saiplatform.org/

External assessments

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

Sustainability management

Economic dimension

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

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

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

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

Social dimension

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

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

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

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

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

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

Our Team

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

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

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

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

1. Workplace health and safety.

2. Training and career development for all employees.

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

4. The freedom of association.

5. Compliance with collective bargaining rights.

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

Career development	Work climate	Remuneration	Benefits	Diversity
• Training • Mobility • Promotion opportunities • Performance management	• Work-life balance • Internal communication	• Fixed remuneration • Variable remuneration • Flexible remuneration scheme • Mobility supplement	• Aid for studies pursued by employees' children • Pension plans • Life insurance • Health insurance • Payroll advances • In-kind remuneration • Grants for medical care	• Gender equality plans • Programs for the integration of persons with differing abilities

LABOR PERFORMANCE INDICATORS

Scope of the report

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

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

2017 MANAGEMENT REPORT (figures in thousands of euros)

Snapshot of our workforce in 2017

MEN

No.	%
3,849	70.49%

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

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

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

Net job creation	Turnover
126	3.27%

% of new hires
61.56%

Total trained	% trained
2,626	68.23%

Persons w/ differing abilities	% Differing abilities
77	2.00%

TOTAL WORKFORCE

TOTAL
6,473

Employees
5,460

Hires
999

Self-employed professionals
14

WOMEN

No.	%
1,611	29.51%

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

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

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

Net job creation	Turnover
129	8.01%

% of new hires
38.44%

Total trained	% trained
1,057	65.61%

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

Organizational profile
[G4-10]

Average workforce

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

2017 MANAGEMENT REPORT (figures in thousands of euros)

Breakdown of the workforce by continent:

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

Breakdown of the workforce by gender

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

Breakdown of employees by contract type

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

2017 MANAGEMENT REPORT (figures in thousands of euros)

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

Breakdown of employee contract type by continent

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

Breakdown of employees by age

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

2017 MANAGEMENT REPORT (figures in thousands of euros)

Employee-management relations

Collective bargaining [G4-11]

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

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

Diversity and equal opportunities

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

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

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

2017 MANAGEMENT REPORT (figures in thousands of euros)

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

Employees with disabilities

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

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

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

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

2017 MANAGEMENT REPORT (figures in thousands of euros)

Employment

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

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

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

OVERALL Turnover	
2017	2016
4.67%	3.51%

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

Net job creation	
2017	2016
255	185

Net job creation			
2017		2016	
Men	Women	Men	Women
126	129	135	50

2017 MANAGEMENT REPORT (figures in thousands of euros)

Occupational health and safety

Joint management–worker health and safety committees [LA5]

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

Health and safety: investment, training hours and cost

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

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

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

Injury rate

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

Occupational diseases rate

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

Lost day rate

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

Absenteeism

2017 MANAGEMENT REPORT (figures in thousands of euros)

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

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

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

Training and education
[LA9]

Total number of employees receiving training by employee category

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

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

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

2017 MANAGEMENT REPORT (figures in thousands of euros)

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

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

Our Community

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

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

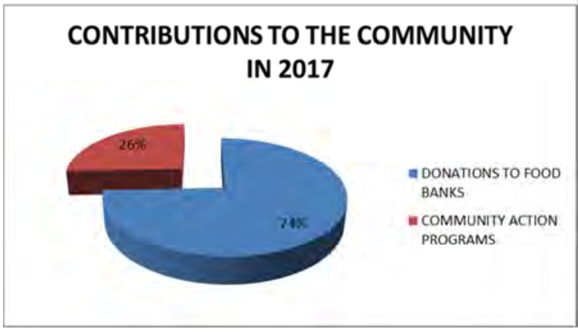
2017 MANAGEMENT REPORT (figures in thousands of euros)

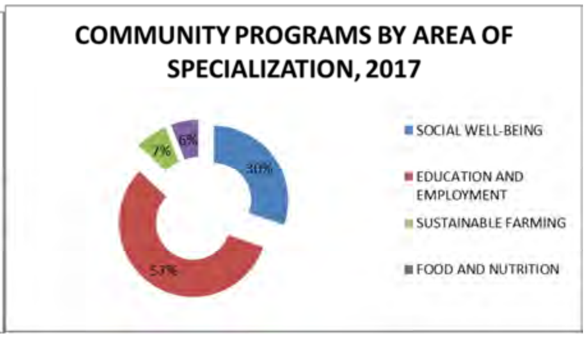
In 2017, the Ebro Group distributed 88% of the income generated during the year to its stakeholders.

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

(*) Dividends paid out in the corresponding reporting period

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





Breakdown of monetary contributions made by the Ebro Foundation

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

Our Customers and Consumers

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

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

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

The key tools to this end:

- R&D

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

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

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

- Food quality and safety control systems

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

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

  iii. Quality assurance rules

- Awareness campaigns addressing healthy lifestyle habits

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

<u>Our Suppliers</u>

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

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

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

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

Environmental dimension

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ENVIRONMENTAL PERFORMANCE INDICATORS

Scope of the report

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

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

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

2017 MANAGEMENT REPORT (figures in thousands of euros)

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

Energy

Energy consumed. [EN3]

Analysis of the Ebro Group's total energy consumption:

Direct consumption

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

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

2017 MANAGEMENT REPORT (figures in thousands of euros)

Indirect consumption

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

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

Water

Water consumption [EN8]

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

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

Water recycled and reused [EN10]

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

Emissions

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

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

Emissions of ozone-depleting substances [EN20]

The Group did not emit ozone-depleting substances.

2017 MANAGEMENT REPORT (figures in thousands of euros)

NO_x, SO_x and other significant emissions [EN21]

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

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

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

Non-compliance and sanctions [EN29]

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

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

Environmental expenditures and investments [EN31]

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

Biodiversity

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

2017 MANAGEMENT REPORT (figures in thousands of euros)

3. LIQUIDITY AND FINANCING

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

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

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

Investments | disposals

Acquisition-led growth (asset and business acquisitions)

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

The Group did not conclude any significant disposals in 2017.

Organic growth

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

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

2017 MANAGEMENT REPORT (figures in thousands of euros)

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

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

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

Financial position

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

NET DEBT (thousands of euros)	2015	2016	*2016/2015*	2017	*2017/2016*
Equity	1,966,259	2,079,326	*5.8%*	2,074,637	*-0.2%*
Net debt	426,280	443,206	*4.0%*	517,185	*16.7%*
Average net debt	424,940	404,137	*-4.9%*	426,042	*5.4%*
Leverage	21.7%	21.3%	*-1.7%*	24.9%	*17.0%*
Leverage (average net debt) ***(1)***	21.6%	19.4%	*-10.1%*	20.5%	*5.7%*
EBITDA	314,724	344,141	*9.3%*	359,000	*4.3%*
Coverage	1.35	1.29		1.44	

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

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

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

The other major movements correspond to:

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

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

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

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

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

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

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

The main risks addressed in the model are:

Operational risks:

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

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

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

The main control points are grouped as follows:

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

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

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

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

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

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

This risk is managed via:

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

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

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

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

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

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

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

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

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

Risks related to the environment and strategy:

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

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

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

  This risk is managed by means of:

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

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

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

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

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

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

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

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

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

Compliance risk

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

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

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

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

Financial risk

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

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

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

5. EVENTS AFTER THE REPORTING PERIOD

As part of its ongoing strategic bid to become a global benchmark in the premium food business, the Ebro Group, through two of its subsidiaries, Panzani, S.A.S. and Pastificio Lucio Garofalo, S.p.A., has entered into a binding agreement for the acquisition of a majority interest (70%) in Italy's Bertagni 1882, S.p.A ("Bertagni").

Bertagni, with factories in Vicenza and Alvio (Italy) and a headcount of 275, is known as the oldest filled pasta brand in Italy. An expert in the production of fresh pasta in the premium segment, it boasts deep know-how and a terrific portfolio of products. In 2017, it generated revenue of over 70 million euros, over 90% of which outside of Italy. With the aim of guaranteeing the company's continued success, its current shareholders and managers, Antonio Marchetti and Enrico Bolla, will retain ownership of the other 30% of Bertagni and will continue to manage the business in the autonomous, professional and innovative manner they have done to date, taking advantage of the synergies brought by membership of the Ebro Group in parallel. The transaction price valued Bertagni at 130 million euros (100% of its equity, i.e., before any potential adjustments for debt).

This transaction has to be authorized by the anti-trust authorities and is expected to close in the first quarter of 2018.

There have been no other significant events or developments between the end of the reporting period and the date of authorizing this Management Report for issue.

6. GROUP OUTLOOK

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

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

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

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

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

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

✓ **Rice business**

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

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

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

✓ **Pasta business**

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

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

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

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

7. R&D ACTIVITY

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

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

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

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

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

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

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

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

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

8. OWN SHARE TRANSACTIONS

In 2017, the Parent had the power to buy back and sell own shares under the scope of the authorization granted at the Annual General Meeting held on June 3, 2015 for a period of five years (and duly notified to the CNMV in keeping with prevailing legislation). In 2017, under the scope of the employee share delivery plan, it bought back 51,673 shares, sold 25,000 and delivered 26,673 own shares to employees. The Parent did not hold any own shares as treasury stock at December 31, 2017.

9. OTHER RELEVANT DISCLOSURES

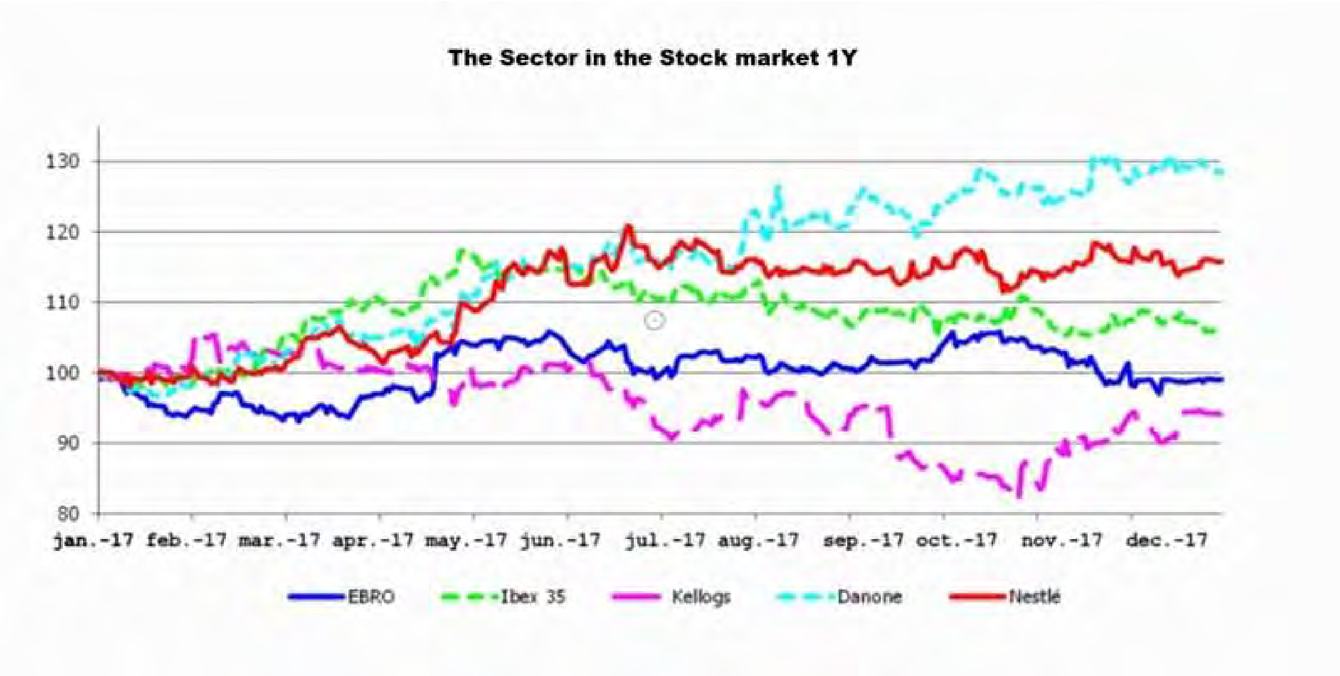
Average payment period

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

2017 MANAGEMENT REPORT (figures in thousands of euros)

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

Share price performance



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

2017 MANAGEMENT REPORT (figures in thousands of euros)

Distribution of dividends

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

Alternative performance measures

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

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

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

The reconciliation of EBITDA and operating profit is provided below:

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

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

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

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

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

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

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

ANNEX 1

ANNUAL CORPORATE GOVERNANCE REPORT
OF LISTED COMPANIES

DETAILS OF ISSUER

YEAR ENDED	31/12/2017

TAX REGISTRATION NUMBER	A47412333

NAME
EBRO FOODS, S.A.

REGISTERED OFFICE
PASEO DE LA CASTELLANA 20 - 3rd AND 4th FLOORS - MADRID

ANNUAL CORPORATE GOVERNANCE REPORT
OF LISTED COMPANIES

A OWNERSHIP STRUCTURE

A.1 Complete the following table on the capital of the company:

Date latest modification	Capital (€)	Number of shares	Number of voting rights
11/06/2002	92,319,235.20	153,865,392	153,865,392

Indicate whether there are different classes of shares with different associated rights:

YES ☐ NO ☒

A.2 Give details on the direct and indirect holders of significant interests in your company at year-end, excluding directors:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights	Interest / total voting rights (%)
SOCIEDAD ANÓNIMA DAMM	0	17,705,610	11.51%
CORPORACIÓN FINANCIERA ALBA, S.A.	18,467,963	0	12.00%
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES	0	15,940,377	10.36%

Name of indirect holder of the interest	Through: Name of direct holder of the interest	Number of voting rights
SOCIEDAD ANÓNIMA DAMM	CORPORACIÓN ECONÓMICA DELTA, S.A.	17,705,610
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES	ALIMENTOS Y ACEITES, S.A.	15,940,377

Indicate the principal movements in the shareholding structure during the year:

A.3 Complete the following tables on board members with voting rights in the company:

Name of director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights held
ANTONIO HERNÁNDEZ CALLEJAS	30	68,006	0.04%
FERNANDO CASTELLÓ CLEMENTE	2,307,828	0	1.50%
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	3,030	4,500,000	2.99%
ALIMENTOS Y ACEITES, S.A.	15,940,377	0	10.36%
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.U.	12,042,637	0	7.83%
GRUPO TRADIFÍN, S.L.	12,248,809	0	7.96%
HERCALIANZ INVESTING GROUP, S.L.	12,248,809	0	7.96%
BELÉN BARREIRO PÉREZ-PARDO	10	0	0.00%
CORPORACIÓN ECONÓMICA DELTA, S.A.	17,705,610	0	11.51%

Name of indirect holder of the interest	Through: Name of direct holder of the interest	Number of direct voting rights
ANTONIO HERNÁNDEZ CALLEJAS	ANTONIO HERNÁNDEZ GONZÁLEZ	30,873
ANTONIO HERNÁNDEZ CALLEJAS	LUIS HERNÁNDEZ GONZÁLEZ	37,133
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	LA FUENTE SALADA, S.L.	4,600,000

Total % of voting rights held by board members	50.15%

Complete the following tables on board members with stock options in the company:

A.4 Indicate family, commercial, contractual or corporate relationships among significant shareholders known to the company, if any, except any that are insignificant and those deriving from ordinary commercial business:

Name of related parties
SOCIEDAD ANÓNIMA DAMM
CORPORACIÓN ECONÓMICA DELTA, S.A.

Type of relationship: Corporate
Brief description:
Sociedad Anónima Damm holds a direct interest of 99.99% in Corporación Económica Delta, S.A.

Name of related parties
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES
ALIMENTOS Y ACEITES, S.A.

Type of relationship: Corporate
Brief description:
Sociedad Estatal de Participaciones Industriales (SEPI) holds a direct interest of 91.9625% in Alimentos y Aceites, S.A.

A.5 Describe the commercial, contractual or corporate relationships between significant shareholders and the company and/or its group, if any, except any that are insignificant and those deriving from ordinary commercial business:

Name of related parties
SOCIEDAD ANÓNIMA DAMM
HERBA RICEMILLS, S.L.U.

Type of relationship: Commercial
Brief description:
During 2017, Herba Ricemills, S.L.U., a subsidiary of the Ebro Foods Group, sold rice and rice by-products to two subsidiaries of the significant shareholder Sociedad Anónima Damm on arm’s length terms.

See section D.2 of this Report.

A.6 State whether the company has been notified of any shareholders’ agreements that may affect it pursuant to sections 530 and 531 of the Corporate Enterprises Act. If any, describe them briefly and list the shareholders bound by the agreement:

YES ☐ NO ☒

Indicate and describe any concerted actions among company shareholders of which the company is aware:

YES ☐ NO ☒

Expressly indicate any change or break-up of those agreements or concerted actions, if any, that has taken place during the year.

A.7 Indicate any individuals or entities that exercise or may exercise control over the company in pursuance of section 4 of the Securities Market Act and identify it/them if appropriate:

YES ☐ NO ☒

Comments

A.8 Complete the following tables on the company's treasury stock:

At year-end:

Number of direct shares	Number of indirect shares (*)	Treasury stock/capital (%)
0	0	0.00%

(*) Through:

Describe any significant variations during the year, according to the provisions of Royal Decree 1362/2007:

Explain the significant variations

A.9. Indicate the term and conditions of the authorisation granted by the General Meeting to the Board to buy or sell own shares

The Annual General Meeting of Shareholders held on second call on 3 June 2015 resolved, under item twelve on the agenda, to authorise the Board of Directors to buy back own shares and reduce the company's capital and to authorise subsidiaries to acquire shares in the parent company, by purchase or on any other payment basis, subject to the limits and other requisites stipulated in law.

a. Conditions of the authorisation

To authorise the board of directors, with the power to delegate, to buy back shares in Ebro Foods, S.A., directly or through its subsidiaries, by purchase, swap or under any other title and on one or several occasions, on the terms and conditions established in sections 146 et seq and sections 509 et seq of the Corporate Enterprises Act, and the following conditions::

- The par value of the shares purchased directly or indirectly, together with those already held by the company or its subsidiaries, shall not exceed 10% of the subscribed capital.

- The buy-back, when added to the shares previously acquired by the company, or any person acting in his own name but on behalf of the company, and held as treasury stock, shall not have the effect of reducing equity to below the amount of the capital plus the legal or restricted statutory reserves. For this purpose, equity shall be the amount considered as such according to the principles for drawing up the annual accounts, less the amount of gains attributed directly thereto, plus the amount of uncalled subscribed capital and the par value and share premium of the subscribed capital recognised in liabilities.

- The shares thus acquired shall be fully paid up.

- The cap and floor values for buy-back shall be the market value of the shares on an official secondary market at the date of buy-back and a value equivalent to the par value of the own equity instruments acquired, respectively.

b. Contents of the authorisation

- To authorise the Board, by direct resolution or delegation to the Executive Committee, or by delegation to such person or persons as the Board may authorise for this purpose, to buy back own shares to hold them in its treasury stock, dispose of them or, as the case may be, put a motion to the General Meeting for their redemption, within the legal limits and complying with the conditions established in this resolution.

This authorisation is also extended to the possibility of buying back own shares for delivery, on one or several occasions, to the company or group employees, directly or following exercise of their option rights, pursuant to section 146.1(a), third paragraph, of the Corporate Enterprises Act..

It is also extended to acquisitions of shares in Ebro Foods, S.A. by its subsidiaries.

- To authorise the Board to reduce the capital in order to redeem the own equity instruments purchased by the company or other companies in its group against the capital (for their par value) and unrestricted reserves (for the cost of the acquisition in excess of that par value), by such amounts as it may deem fit from time to time and up to the maximum own shares held at any time.

- To delegate to the board to implement the aforesaid resolution to reduce the capital, which it may do on one or several occasions or declare it null and void, within a period not exceeding 5 years from the date of this General Meeting (3 June 2015), taking such actions for this purpose as may be necessary or required by law.

The Board is especially authorised so that it may, within the times and limits indicated in this resolution, proceed to: (i) make or declare void the reduction of capital, naming if appropriate the specific date(s) of the transactions, taking account of any internal or external factors that may influence this decision; (ii) specify in each case the amount by which the capital is reduced; (iii) determine the destination of the amount of the reduction of capital; (iv) in each case adjust Articles 6 (“Capital”) and 7 (“Shares”) of the Articles of Association to reflect each new amount of capital and new number of shares; (v) apply in each case for delisting of the redeemed shares; and (vi) in general adopt such resolutions as may be considered necessary for redemption and the consequent reduction of capital, designating who is to put it on record.

c. Term of the authorisation

The authorisation contemplated in this resolution is granted for a maximum of five years from the date of the General Meeting (3 June 2015) and covers all transactions in own equity instrument made hereunder, without requiring reiteration for each acquisition made. It also covers any provisions or earmarking of reserves made in accordance with the Corporate Enterprise Act.

The resolutions adopted at the Annual General Meeting of 3 June 2015 regarding treasury stock, reduction of capital and delegation to the Board rendered void in the unused amount those adopted in this regard at the Annual General Meeting held on 15 June 2011. They remain in force, not having been since revoked.

A.9.bis. Estimated free float:

	%
Estimated free float	37.85

A.10 Indicate any constraints on the transferability of shares and/or any restrictions on voting rights. In particular, indicate the existence of any constraint or limitation that may hamper takeover of the company through the acquisition of its shares on the market.

YES ☐ NO ☒

A.11 Indicate whether the General Meeting has resolved to apply the breakthrough rule against a takeover bid, under Act 6/2007:

YES ☐ NO ☒

If so, explain the measures approved and the terms on which the restrictions will become ineffective:

A.12 State whether the company has issued any shares that are not traded on an EU regulated market.

YES ☐ NO ☒

If appropriate, indicate the different classes of shares and the rights and obligations conferred for each class.

B. GENERAL MEETING

B.1 Indicate whether there are any differences between the quorums established for General Meetings and the minimums stipulated in the Corporate Enterprises Act and, if any, explain.

YES ☐ NO ☒

B.2 Indicate whether there are any differences in respect of the system stipulated in the Corporate Enterprises Act for adopting corporate resolutions and, if any, explain.

YES ☐ NO ☒

What differences exist in respect of the system stipulated in the Corporate Enterprises Act?

B.3 Indicate the rules for alteration of the company's articles of association. In particular, indicate the majorities stipulated for altering the articles of association and the rules, if any, protecting shareholders' rights in any alteration of the articles.

There are no requirements for altering the Articles of Association other than those stipulated in the Corporate Enterprises Act.

B.4 Give details of attendance of general meetings held during the year of this report and the previous year:

	Details of Attendance				
Date General Meeting	% in person	% by proxy	% distance voting		Total
			Electronic vote	Others	
01/06/2016	19.94%	55.85%	0.00%	0.00%	75.79%
01/06/2017	20.68%	44.90%	0.00%	11.87%	77.45%

B.5 Are any restrictions are established in the articles of association requiring a minimum number of shares to attend general meetings?

YES ☐ NO ☒

B.6 Repealed.

B.7 Indicate the address and access to the company's website and where to find information on corporate governance and other information on general meetings that must be made available to shareholders through the company's website.

The corporate website of Ebro Foods (http://www.ebrofoods.es/en/) is set up as a vehicle of information, continuously and permanently updated for shareholders, investors and markets in general.

In this respect, the home page includes a specific section called "Information for shareholders and investors", which contains all the information required under the applicable legal provisions.

Pursuant to current legislation, this section includes the chapter on Corporate Governance at the following address:

http://www.ebrofoods.es/en/information-for-shareholders-and-investors/corporate-governance/regulations-of-the-general-meeting/

That section includes all the information that the company makes available to shareholders for general meetings, specifically at http://www.ebrofoods.es/en/information-for-shareholders-and-investors/corporate-governance/general-meeting-of-shareholders-exercise-of-the-right-to-information/ and http://www.ebrofoods.es/en/information-for-shareholders-and-investors/corporate-governance/general-shareholders-meeting-2017/.There is also a direct link to the General Meeting of this year from the home page (http://www.ebrofoods.es/en/).

The Corporate Governance chapter is structured in the following sub-sections:

- Regulations of the General Meeting
- General Meeting of Shareholders: exercise of the right to information
- General Shareholders' Meeting
- Board of Directors
- Regulations of the Board
- Annual Corporate Governance Report
- Remuneration of Directors
- Board Committees
- Internal Code of Market Conduct
- Shareholders' Forum

The contents of this chapter are structured and hierarchical, with a concise, explanatory title, to permit rapid, direct access to each section in accordance with legal recommendations, at less than three clicks from the home page.

All these sections have been designed and prepared according to the principle of easy access, aiming to enable fast location and download of the required information.

The corporate website offers all the information in this section in Spanish and English.

C. MANAGEMENT STRUCTURE OF THE COMPANY

C.1 Board of Directors

C.1.1 State the maximum and minimum numbers of directors stipulated in the articles of association:

Maximum number of directors	15
Minimum number of directors	7

C.1.2 Give details of the board members:

Name of director	Representative	Category of director	Position on Board	Date first appointment	Date latest appointment	Election procedure
DEMETRIO CARCELLER ARCE		Proprietary	VICE-CHAIRMAN	01/06/2010	04/06/2014	RESOLUTION PASSED AT AGM
ANTONIO HERNÁNDEZ CALLEJAS		Executive	CHAIRMAN	24/01/2002	04/06/2014	RESOLUTION PASSED AT AGM
FERNANDO CASTELLÓ CLEMENTE		Independent	DIRECTOR	29/05/2012	04/06/2014	RESOLUTION PASSED AT AGM
MERCEDES COSTA GARCÍA		Independent	DIRECTOR	27/07/2016	01/06/2017	RESOLUTION PASSED AT AGM
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL		Independent	LEAD INDEPENDENT DIRECTOR	29/05/2012	04/06/2014	RESOLUTION PASSED AT AGM
ALIMENTOS Y ACEITES, S.A.	CONCEPCIÓN ORDÍZ FUERTES	Proprietary	DIRECTOR	23/07/2004	04/06/2014	RESOLUTION PASSED AT AGM
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.U.	JAVIER GÓMEZ-TRENOR VERGÉS	Proprietary	DIRECTOR	18/12/2013	04/06/2014	RESOLUTION PASSED AT AGM
GRUPO TRADIFÍN, S.L.	MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	Proprietary	DIRECTOR	21/12/2016	01/06/2017	RESOLUTION PASSED AT AGM

HERCALIANZ INVESTING GROUP, S.A.	FÉLIX HERNÁNDEZ CALLEJAS	Executive	DIRECTOR	21/12/2016	01/06/2017	RESOLUTION PASSED AT AGM
BELÉN BARREIRO PÉREZ-PARDO		Independent	DIRECTOR	25/01/2017	01/06/2017	RESOLUTION PASSED AT AGM
JAVIER FERNÁNDEZ ALONSO		Proprietary	DIRECTOR	25/01/2017	01/06/2017	RESOLUTION PASSED AT AGM
CORPORACIÓN ECONÓMICA DELTA, S.A.	MARÍA CARCELLER ARCE	Proprietary	DIRECTOR	28/06/2017	28/06/2017	COOPTATION

Total Number of Directors	12

Indicate any retirements from the board during the reporting period:

Name of director	Category of director at retirement	Date of retirement
JOSÉ ANTONIO SEGURADO GARCÍA	Independent	16/02/2017
RUDOLF-AUGUST OETKER	Proprietary	01/06/2017

C.1.3 Complete the following tables on the types of board members:

EXECUTIVE DIRECTORS

Name of Director	Position in company's organisation
ANTONIO HERNÁNDEZ CALLEJAS	CHAIRMAN
HERCALIANZ INVESTING GROUP, S.A.	NO POSITION HELD IN THE COMPANY'S ORGANISATION. SEE EXPLANATORY NOTE ONE, SECTION H.

Total number of executive directors	2
% of board	16.67%

NON-EXECUTIVE PROPRIETARY DIRECTORS

Name of Director	Name of significant shareholder represented or that proposed appointment
DEMETRIO CARCELLER ARCE	SOCIEDAD ANÓNIMA DAMM
ALIMENTOS Y ACEITES, S.A.	SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.	EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.
GRUPO TRADIFÍN, S.L.	GRUPO TRADIFÍN, S.L.
CORPORACIÓN ECONÓMICA DELTA, S.A.	SOCIEDAD ANÓNIMA DAMM
JAVIER FERNÁNDEZ ALONSO	CORPORACIÓN FINANCIERA ALBA, S.A.

Total number of proprietary directors	6
% of board	50.00%

NON-EXECUTIVE INDEPENDENT DIRECTORS

Name of Director
FERNANDO CASTELLÓ CLEMENTE

Profile:

Born in Mollerusa (Lleida). Industrial Engineer and MBA (IESE). Lecturer at the School of Engineers and Architects of Fribourg (Switzerland). Has held several important executive and management positions in companies operating in the dairy sector and has extensive experience in the sector. Currently Vice-Chairman of Merchpensión, S.A. and on the board of other consultancy and financial services companies.

Name of Director
MERCEDES COSTA GARCÍA

Profile:

Born in Lérida. Law graduate from Central University of Barcelona and Master's Degree in Corporate Law from the IE Business School. Extensive professional experience as a commercial lawyer at the José Mario Armero law firm, lecturer and researcher in the entire negotiation process. Currently Manager of the Negotiation and Mediation Centre and lecturer in negotiation for master programmes, advanced courses and executive education programmes at the IE Business School of Madrid, in on-site and on-line courses. Also Director of the Negotiation Forum (*Foro Negocia*) and Member of the Good Governance Committee of the IE Business School.

Name of Director
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL

Profile:

Born in San Sebastián. Economist and graduate in International Banking. Extensive experience in the financial sector, director and executive positions in several financial institutions and insurance companies, such as Banco Hispano Americano, Mutua Madrileña and Axa Winterthur, among others. Chairman of Rexam Ibérica and Arbitrajes e Inversiones S.L.

Name of Director
BELÉN BARREIRO PÉREZ-PARDO

Profile:

Born in Madrid. PhD in Political Science, Sociology and Social Anthropology from the Autonomous University of Madrid and Master in Social Sciences from the Juan March Institute of Studies and Research. Over twenty years' experience in scientific analysis of society and counselling on public opinion research. Author of numerous books and academic articles, and visiting lecturer at several universities. Member of the Advisory Board of the Spanish Association of Foundations and founder of MyWord.

Total number of independent directors	4
% of board	33.33%

State whether any director qualified as independent receives from the company or any other company in the same group any sum or gain other than directors' emoluments, or has or has had a business relationship with the company or any other company in its group during the past year, in their own name or as significant shareholder, director or senior executive of a company which has or has had such a relationship.

None of the independent directors is in any of these circumstances.

If appropriate, include a reasoned statement by the board explaining why it considers that the director in question can perform their duties as an independent director.

OTHER NON-EXECUTIVE DIRECTORS

Name any other non-executive directors and explain why they cannot be considered proprietary or independent directors and their relationships, with the company or its executives or with the shareholders:

Indicate any variations during the year in the type of each director:

C.1.4 Complete the following table with details of the number of female directors over the past 4 years and the type of female directors:

	Number of female directors				Female directors / total directors of each type (%)			
	2017	**2016**	**2015**	**2014**	**2017**	**2016**	**2015**	**2014**
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	3	2	2	2	50.00%	33.33%	28.57%	28.57%
Independent	2	1	0	0	50.00%	25.00%	0.00%	0.00%
Other non-executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total	5	3	2	2	41.67%	23.08%	16.67%	16.67%

C.1.5 Explain any measures taken to endeavour to include in the board a number of women to give a balanced composition of men and women directors.

Explanation of measures

By virtue of the appointment of a new female independent director in January 2017, women came to represent 30.77% of the board members.

The company thus reached the representation target specified in the Policy for Selecting Candidates, that by 2020 the gender least represented on the Board should account for at least thirty per cent of all the Board members.

In June 2017, the number of women on the board increased by one more.

At the date of this report, there are twelve board members, of which women represent 41.67% (38.46% considering the vacancy currently existing).

C.1.6 Explain any measures agreed by the nomination committee to ensure that the selection procedures are not implicitly biased against the selection of female directors and that a conscious effort is made to include women with the target profile among the candidates:

Explanation of measures

No specific measures of this nature have been adopted, the principal criterion applied when selecting candidates to the board being that the selection process should avoid any kind of implicit bias that could involve discrimination on any grounds against any of the candidates.

This notwithstanding, the Policy for Selecting Candidates to be Directors approved by the Board of Directors upholds the following principles: (i) a diversity of expertise, experience and gender on the Board shall be sought; and (ii) in equal conditions, the candidate whose gender is least represented on the board at that time shall be chosen.

In addition, the aforesaid Policy for Selecting Candidates to be Directors expressly contemplates the target that by 2020 the gender least represented on the Board shall account for at least thirty per cent of all the Board members. That target was reached in January 2017 and reinforced in June 2017, when another woman was joined the Board.

See section C.1.5 of this Report.

If, despite the measures taken, if any, there are few or no female directors, explain the reasons that justify this situation:

Explanation of reasons

C.1.6 bis Explain the conclusions of the nomination committee on checking compliance with the policy for selecting directors and, in particular, on how that policy is promoting the target that by the year 2020 the number of female directors should represent at least 30% of all the board members.

Explanation of conclusions

The Nomination and Remuneration Committee considers that the appointments of new Directors agreed in 2016 and 2017 increase the number of independent directors in line with the good governance recommendations and conform to the principles established in the Policy for Selecting Directors. Those principles are intended to: (i) enhance the diversity of expertise and experience on the board, (ii) avoid any implicit bias that may imply any kind of discrimination, and (iii) favour gender diversity, even after the company met the target set for women (as the gender least represented on the board) to represent thirty per cent of the total board members by 2020.

C.1.7 Explain the form of representation on the board of shareholders with significant interests.

- Alimentos y Aceites, S.A.: significant shareholder and proprietary Director of the Company. See section A.4 regarding its relationship with Sociedad Estatal de Participaciones Industriales.

- Corporación Económica Delta, S.A.: significant shareholder and proprietary Director of the Company. See section A.4 regarding the corporate relationship between Corporación Económica Damm, S.A. and Sociedad Anónima Damm.

- Demetrio Carceller Arce: proprietary Director of the Company upon proposal by Corporación Económica Delta, S.A.

- Javier Fernández Alonso: proprietary Director of the Company upon proposal by Corporación Financiera Alba, S.A.

- Empresas Comerciales e Industriales Valencianas, S.L.: significant shareholder and proprietary Director of the company.

- Grupo Tradifín, S.L.: significant shareholder and proprietary Director of the Company.

- Hercalianz Investing Group, S.L.: significant shareholder and executive Director of the Company. See explanatory Note one in section H of this Report regarding its classification as executive (rather than proprietary) Director.

C.1.8 Explain, if appropriate, why proprietary directors have been appointed at the request of shareholders holding less than 3% of the capital:

State whether any formal requests for presence on the board have been rejected from shareholders holding interests equal to or greater than others at whose request proprietary directors have been appointed. If appropriate, explain why such requests were not met:

YES ☐ NO ☒

C.1.9 State whether any director has retired before the end of their term of office, whether said director explained the reasons for such decision to the Board and through what means, and if the explanations were sent in writing to the entire Board, explain below at least the reasons given by the director:

Name of director:

JOSÉ ANTONIO SEGURADO GARCÍA

Reason for retirement:

Death.

Name of director:

RUDOLF-AUGUST OETKER

Reason for retirement:

He stepped down for personal and professional reasons, tendering his resignation in a letter addressed to the Chairman of the Board and giving a verbal explanation to all the Directors after the last AGM, held on 1 June 2017.

C.1.10 Indicate the powers delegated to the Managing Director(s), if any:

C.1.11 Name Board members, if any, who are also directors or executives of other companies in the same group as the listed company:

Name of director	Name of Group company	Position	Has executive duties?
ANTONIO HERNÁNDEZ CALLEJAS	VOGAN, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	JOSEPH HEAP PROPERTY, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	JOSEPH HEAP&SONS, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	A.W. MELLISH, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	ANGLO AUSTRALIAN RICE, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	HEAP COMET, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	RIVIANA FOODS, INC.	CHAIRMAN	YES
ANTONIO HERNÁNDEZ CALLEJAS	PASTIFICIO LUCIO GAROFALO, S.P.A.	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	N&C BOOST, N.V.	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	BOOST NUTRITION, C.V.	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	BOSTO PANZANI BENELUX, N.V.	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	EBRO FOODS, GMBH	JOINT & SEVERAL DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	T.A.G. NAHRUNGSMITTEL, GMBH	JOINT & SEVERAL DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	BERTOLINI IMPORT UND EXPORT, GMBH	JOINT & SEVERAL DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	HERBA GERMANY, GMBH	JOINT & SEVERAL DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	PANZANI, S.A.S.	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	S&B HERBA FOODS, LTD	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	ARROZEIRAS MUNDIARROZ. S.A.	CHAIRMAN	YES
ANTONIO HERNÁNDEZ CALLEJAS	GEOVITA FUNCTIONAL INGREDIENTS, S.r.L.	CHAIRMAN	YES
ANTONIO HERNÁNDEZ CALLEJAS	HERBA INGREDIENTS BELGIUM B, B.V.B.A.	DIRECTOR	YES
ANTONIO HERNÁNDEZ CALLEJAS	HERBA GERMANY, GmbH	JOINT & SEVERAL DIRECTOR	YES

C.1.12 Name the company directors, if any, who are on the Boards of non-group companies listed on Spanish stock exchanges, insofar as the company has been notified:

Name of Director	Listed Company	Position
DEMETRIO CARCELLER ARCE	SACYR, S.A.	VICE-CHAIRMAN 1
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	ENCE ENERGÍA Y CELULOSA, S.A.	DIRECTOR
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	COCA-COLA EUROPEAN PARTNERS	DIRECTOR
JAVIER FERNÁNDEZ ALONSO	EUSKALTEL, S.A.	DIRECTOR
JAVIER FERNÁNDEZ ALONSO	PARQUES REUNIDOS SERVICIOS CENTRALES, S.A.	DIRECTOR

C.1.13 Indicate and, where appropriate, explain whether the company has established rules on the number of directorships its directors may hold:

YES ☒ NO ☐

Explanation of the rules
Article 32.2 of the Regulations of the Board of Directors establishes, in the "General Duties of Directors", that Directors shall dedicate to the Company such attention and time as may be necessary to guarantee the effective and adequate fulfilment of each and all of the duties corresponding to their position. Consequently, the maximum number of other Directorships they may hold will be such as to ensure that they are able at all times to meet each and all of their obligations to the Company.

C.1.14 Repealed.

C.1.15 Indicate the overall remuneration of the board:

Remuneration of the board (thousand euros)	5,533
Amount of the vested rights of current directors in pension schemes (thousand euros)	0
Amount of the vested rights of former directors in pension schemes (thousand euros)	0

C.1.16 Name the members of top management who are not executive directors and indicate the aggregate remuneration accrued in their favour during the year:

Name	Position
ANA MARÍA ANTEQUERA PARDO	MANAGER COMMUNICATIONS
LUIS PEÑA PAZOS	SECRETARY OF THE COMPANY AND BOARD
LEONARDO ÁLVAREZ ARIAS	MANAGER I.T.
PABLO ALBENDEA SOLÍS	CHIEF OPERATING OFFICER
ALFONSO FUERTES BARRÓ	FINANCE MANAGER
GABRIEL SOLÍS PABLOS	TAX MANAGER
YOLANDA DE LA MORENA CEREZO	VICE-SECRETARY OF THE BOARD
GLORIA RODRÍGUEZ PATA	CORPORATE ASSETS MANAGER
JESÚS DE ZABALA BAZÁN	MANAGER INTERNAL AUDIT

MANUEL GONZÁLEZ DE LUNA	MANAGER INVESTOR RELATIONS AND FINANCIAL INSTITUTIONS

Total remuneration top management (thousand euro)	2,219

C.1.17 Name any board members who are also on the boards of companies holding significant interests in the listed company and/or in companies of its group:

Name of director	Name of significant shareholder	Position
DEMETRIO CARCELLER ARCE	SOCIEDAD ANÓNIMA DAMM	CHAIRMAN
DEMETRIO CARCELLER ARCE	CORPORACIÓN ECONÓMICA DELTA, S.A.	CHAIRMAN

Describe the significant relationships of the board members with the significant shareholders and/or companies in their group, other than as mentioned above:

Name of director

ANTONIO HERNÁNDEZ CALLEJAS

Name of significant shareholder

HERCALIANZ INVESTING GROUP, S.L.

Description of relationship

Antonio Hernández Callejas has a direct interest of 33.333% in Hercalianz Investing Group, S.L., a Director and significant shareholder of Ebro Foods, S.A. He does not hold any position in that company.

Name of director

DEMETRIO CARCELLER ARCE

Name of significant shareholder

SOCIEDAD ANÓNIMA DAMM

Description of relationship

Demetrio Carceller Arce has an interest of 0.823% in Sociedad Anónima Damm

Name of director

CORPORACIÓN ECONÓMICA DELTA, S.A.

Name of significant shareholder

SOCIEDAD ANÓNIMA DAMM

Description of relationship

Sociedad Anónima Damm has a direct interest of 99.99% in Corporación Económica Delta, S.A.

Its representative on the Board of Ebro Foods, S.A., María Carceller Arce, has a direct interest of 0.04% in Sociedad Anónima Damm. She is a Director of Corporación Económica Delta, S.A. and represents a corporate Director on the Board of Sociedad Anónima Damm.

Name of director

ALIMENTOS Y ACEITES, S.A.

Name of significant shareholder

SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES

Description of relationship

Sociedad Estatal de Participaciones Industriales has a direct interest of 91.9625% in Alimentos y Aceites, S.A.

Its representative on the Board of Ebro Foods, S.A., Concepción Ordiz Fuertes, is the company Secretary, Secretary of the Board and legal counsel of Sociedad Estatal de Participaciones Industriales.

Name of director

JAVIER FERNÁNDEZ ALONSO

Name of significant shareholder

CORPORACIÓN FINANCIERA ALBA, S.A.

Description of relationship

Javier Fernández Alonso is the Investment Manager of Corporación Financiera Alba, S.A.

C.1.18 State whether any modifications have been made during the year to the Regulations of the Board:

YES ☒ NO ☐

Description of the modifications
Modification of Article 24.1 of the Regulations of the Board of Directors to adapt it to the amended Corporate Entities Act in respect of the composition of the Audit and Compliance Committee, following the amendment thereof by virtue of the Audit Act 22/2015 of 20 July. Following the modification of that Article 24.1 of the Regulations of the Board, at least the majority of the members of the Audit and Compliance Committee must be independent directors.

C.1.19 Describe the procedures for selection, appointment, re-election, assessment and removal of directors. Indicate the competent bodies, the formalities and the criteria to be followed in each of these procedures.

The procedures for selection, appointment, re-election, assessment and removal of the directors are regulated in the Articles of Association and the Regulations of the Board.

There is also a Policy for Selecting Candidates to be Directors of Ebro Foods, S.A., which specifically and verifiably establishes the basic criteria and principles to be followed in the selection of candidates. The Policy is applicable in the appointment, ratification and re-election of directors by the General Meeting and any appointments made by the Board by cooptation in the event of a pre-term vacancy. For candidates who are legal persons, the principles and criteria of the Policy must be observed in respect of the individuals representing them on the Board.

The General Meeting is responsible for deciding on the number of directors the company is to have, within the minimum (7) and maximum (15) established in the Articles of Association, and for appointing or re-electing directors as proposed by the Board, subject to a favourable report by the Nomination and Remuneration Committee.

The Board may also appoint directors by cooptation, subject to a report by the Nomination and Remuneration Committee and by the Board of Directors on the terms stipulated in law.

In any case, the initiative of the Board regarding the incorporation of members by no means detracts from the sovereign power of the General Meeting to appoint and remove directors, or from any potential exercise by shareholders of their right to proportional representation.

The persons nominated by the Board for appointment or re-appointment as directors, or by the Nomination and Remuneration Committee in the case of independent directors, must be persons of recognised repute, with adequate experience and expertise to be able to perform their duties.

See the duties of the Nomination and Remuneration Committee in section C.2.1 of this Report for the role of that Committee in the appointment of Directors.

Directors are appointed for a term of four years, after which they are eligible for re-election on one or several occasions for terms of an equal duration. This term of four years is counted from the date of the General Meeting at which they are appointed, or ratified when previously appointed by cooptation by the Board.

If vacancies arise during the term for which they were appointed, the Board may appoint shareholders to fill those vacancies up to the next general meeting. Directors' appointments shall end at the first general meeting held after expiry of their term or lapse of the time stipulated in law for holding the general meeting that is to approve the accounts of the previous year.

The appointment and re-election procedure shall be preceded by the corresponding reports from the Nomination and Remuneration Committee and the Board, on the terms stipulated in law.

The Board regularly (annually) rates the Board, Chairman and Committees on their efficiency and fulfilment of their obligations, requesting the corresponding reports from its Committees and, if considered necessary, proposing any modifications that may be appropriate to improve their performance.

Directors retire upon expiry of the term for which they were appointed and in all other events stipulated in law, the Articles of Association or the Regulations of the Board. They must tender their resignations to the Board and step down in the events established in the Regulations of the Board.

C.1.20 Explain to what extent the annual assessment of the board has given rise to major changes in its internal organisation and the procedures applicable to its activities.

Description of modifications

The 2017 annual assessment of the Board, Committees and Chairman, made with assistance from an external independent adviser, is pending the final report issued by that adviser, so the Company has no final conclusions on this point at the date of this Report.

Nevertheless, the annual assessments made in previous years did not reveal any material incidents giving rise to major changes in the internal organisation or the procedures applicable to their activities.

C.1.20.bis Describe the process of assessment and the areas assessed by the board, assisted where necessary by an external consultant, on diversity in its composition and powers, the procedure and composition of its committees, the performance by the chairman of the board and CEO of the company and the performance and contribution of each director.

A) Process of self-assessment:

A self-assessment process is carried out every year on the Board, its Committees and the executive Chairman of the Company. That process is based on (i) a report prepared by the Nomination and Remuneration Committee for presentation to the Board, (ii) the activity reports of the Audit and Compliance Committee and the Nomination and Remuneration Committee, and (iii) the resolutions adopted by the Board of Directors in view of the foregoing.

B) Methods used:

The Board members complete a questionnaire rating certain aspects regarding the quality and efficiency of the Board procedures, the actions performed by the chairman of the board, who is at the same time the chief executive of the Company, and the procedure of the executive Committee and other Board Committees.

They can also make other comments, should they deem fit, on the functioning of the Board, its Committees and the executive Chairman.

C) Areas assessed:

- Composition of the Board and actions by the Directors: assessment on the quantitative and qualitative composition of the Board and their perception of the performance by other Directors of their duties.

- Procedure of the Board: assessment of the functioning of the Board, frequency of meetings, procedure for calling meetings, remittance of documentation for the meetings and quality of those documents, transaction of business within the Board and powers of the Board.

- Chairman of the Board: assessment on the dedication and actions by the Chairman, both as such and in his capacity as chief executive of the Company.

- Committees of the Board: assessment of the directors' perception, from the Board, of the role of the Board Committees and perception of the members of the Board Committees on their functioning.

The 2017 annual assessment of the board, committees and chairman has been made with assistance from an independent external adviser and is pending conclusion at the date of this Report.

C.1.20.ter Describe, where appropriate, any business relations between the consultant or any company in its group with the company or any other company in its group.

During 2017, the external consultant provided personnel selection services for a subsidiary of the Ebro Foods Group for a charge of €6 thousand.

C.1.21 State the events in which directors are obliged to step down.

The retirement and resignation of directors are regulated in Article 31 of the Regulations of the Board of Directors:

- Directors must step down at the end of the term for which they were appointed and in all other events stipulated in law, the Articles of Association and the Regulations of the Board.

- Directors must also tender their resignations and step down in the following cases:

a) When they are affected by one of the causes of incompatibility or disqualification established in law, the Articles of Association or the Regulations of the Board.

b) When they step down from the executive post to which their appointment as director was linked, when the shareholder they represent on the Board disposes of all its shares in the Company or reduces its interest to an extent requiring a reduction in the number of proprietary Directors and, in general, whenever the reasons for their appointment disappear.

c) When the Board, following a report by the Nomination and Remuneration Committee, considers that the Director has seriously defaulted his obligations or for reasons of corporate interest.

C.1.22 Repealed.

C.1.23 Are special majorities differing from those stipulated in law required for any type of decision?

YES ☐ NO ☒

If yes, describe the differences:

C.1.24 Are there any specific requirements, other than those established for directors, to be appointed Chairman?

YES ☐ NO ☒

C.1.25 Does the Chairman have a casting vote?

YES ☒ NO ☐

Matters for which there is a casting vote

All matters.

C.1.26 Do the Articles of Association or Regulations of the Board establish an age limit for directors?

YES ☐ NO ☒

C.1.27 Do the Articles of Association or Regulations of the Board establish a limited term of office for independent directors other than as stipulated in law?

YES ☐ NO ☒

C.1.28 Do the Articles of Association or Regulations of the Board establish specific rules for the delegation of votes at board meetings, how they are to be delegated and, in particular, the maximum number of delegations that a director may hold, and whether any limitation has been established regarding the categories to which proxies may be granted, other than those established in law? If yes, include a brief description.

Both the Articles of Association (Article 24) and the Regulations of the Board (Article 20) contemplate the possibility of Directors attending Board meetings through a duly authorised proxy.

The proxy must be made in advance, in writing, specially for each Board meeting, in favour of another Director.

The represented Director may issue specific voting instructions for any or all of the items on the agenda.

Non-executive Directors may only grant proxies to other non-executive Directors.

No limit is established on the number of proxies any one Director may hold, or any limitation on the categories to which proxies may be granted.

C.1.29 State the number of meetings held by the Board of Directors during the year, indicating, if appropriate, how many times the Board has met without the Chairman. Proxies made with specific instructions will be considered attendances:

Number of board meetings	11
Number of board meetings held without the chairman	0

If the chairman is an executive director, indicate the number of meetings held without the attendance or representation of any executive director and chaired by the lead independent director.

Number of meetings	1

Indicate the number of meetings held by the different Committees of the Board:

Committee	No. meetings
EXECUTIVE COMMITTEE	7
AUDIT AND COMPLIANCE COMMITTEE	6
NOMINATION AND REMUNERATION COMMITTEE	8
STRATEGY AND INVESTMENT COMMITTEE	0

C.1.30 State the number of meetings held by the Board during the period attended by all its members. Proxies made with specific instructions will be considered attendances:

Number of meetings attended by all the directors	9
% attendance over total votes during the year	81.82%

C.1.31 Are the separate and consolidated annual accounts submitted to the Board for approval previously certified?

YES ☐ NO ☒

If yes, name the person(s) who certify the separate or consolidated annual accounts of the company before they are approved by the Board:

C.1.32 Explain the mechanisms, if any, established by the Board to avoid a qualified auditors' report on the separate and consolidated accounts laid before the General Meeting.

Relations with the auditors are expressly regulated in Article 43 of the Regulations of the Board of Directors.

The Board shall establish an objective, professional and continuous relationship with the external auditors of the Company appointed by the General Meeting, guaranteeing their independence and providing them with all the information they may require to perform their duties. This relationship and the relationship with the Internal Audit Manager shall be channelled through the Audit and Compliance Committee. Furthermore, the Board shall endeavour to draw up the Annual Accounts in such a way as to avoid a qualified Auditors' report.

Within the specific duties attributed to the board in certain areas, Article 9 of the Regulations establishes that the Board shall see that the separate and consolidated Annual Accounts and Directors' Reports give a true and fair view of the equity, financial position and results of the Company, as stipulated in law, and each and all of the Directors shall have all the necessary information before signing the Annual Accounts.

Article 24.4 of the Regulations of the Board gives the Audit and Compliance Committee certain powers to ensure that the Annual Accounts are filed without a qualified auditors' report (see section C.2.4 of this Report).

Finally, there is a Risks Control and Management Policy established in the Group laying down the basic principles and the general framework for control and management of the business risks, including tax risks, and internal control of financial reporting to which the Company and other companies in its Group are exposed.

As regards the control of financial reporting, the Group has procedures in place for checking and authorising financial reporting and a description of the financial reporting internal control system (FRICS), responsibility for which lies with the Economic Department, the Risks Committee, the economic and finance departments of the different business units, the Audit and Compliance Committee and the Board. Financial information is checked and authorised up by the Economic Department of the Group on the basis of the information confirmed in the different business units. The information to be remitted to the market is supervised by the Audit and Compliance Committee and approved by the Board.

C.1.33 Is the Secretary of the Board a Director?

YES ☐ NO ☒

If the secretary is not a director, complete the following table:

Name of Secretary	Representative
LUIS PEÑA PAZOS	

C.1.34 Repealed.

C.1.35. Describe any mechanisms established by the company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.

A. With regard to the external auditors:

Both the Articles of Association and the Regulations of the Board of Directors vest in the Audit and Compliance Committee the power, among others, to contact the auditors and receive information on any issues that may jeopardise their independence, for examination by the Audit Committee, as well as any other issues relating to the auditing of accounts. The Committee shall also receive information from and exchange communications with the auditors in accordance with prevailing auditing standards and legislation, notwithstanding the ultimate responsibility of the Board of Directors, which, pursuant to Article 8.1.3.(a) of the Regulations of the Board is responsible for ensuring the independence and professional suitability of the external auditor.

Article 43 of the Regulations of the Board addresses relations with the auditors, obliging the Board to establish an objective, professional, continuous relationship with the External Auditors of the Company appointed by the General Meeting, guaranteeing their independence and putting at their disposal all the information they may require to perform their duties. It further establishes that the aforesaid relationship with the External Auditors of the Company and the relationship with the Internal Audit Manager shall be conducted through the Audit and Compliance Committee.

Finally, Article 24.4 of the Regulations of the Board establishs the following powers of the Audit and Compliance Committee in this respect:

- Supervise and promote the policies, procedures and systems used for drawing up and controlling the company's financial information, checking the services performed in this regard by the Internal Audit Department, the Financial Department and the Management Committee and making sure they are correctly distributed throughout the Group.

- Receive the information sent regularly to the Stock Exchange Councils, issue prospectuses and any public financial information offered by the Company and, in general, all information prepared for distribution among shareholders, ensuring the existence of internal control systems that guarantee the transparency and truth of the information.

- Ensure that (i) the systems used for preparing the separate and consolidated Annual Accounts and Directors' Report submitted to the Board to be authorised for issue in accordance with current legislation give a true and fair view of the equity, financial position and results of the Company and make sure that any interim financial statements are drawn up according to the same accounting principles as the annual accounts, considering the possibility of asking the external auditors to make a limited audit if necessary; and (ii) the Board of Directors endeavours to submit the annual accounts to the General Meeting with an unqualified auditors' report.

In this respect, it shall also see that the internal control systems are adequate and effective in respect of the accounting practices and principles used for drawing up the company's annual accounts, supervising the policies and procedures established to ensure due compliance with applicable legal provisions and internal regulations. The Committee shall, through its Chairman, obtain information and collaboration from both the Internal Audit Manager and the external auditors to perform these duties.

- Establish regular contact with the external auditors to receive information on any issues that may jeopardise their independence, and any other issues relating to the auditing of accounts, receiving information from and exchanging communications with the external auditors in accordance with prevailing auditing standards and legislation.

- Be informed of the decisions adopted by the senior management according to recommendations made by the external auditors in connection with the audit.

- Ensure the independence of the external auditors and the existence of a discussion procedure enabling the external auditors, the Internal Audit Department and any other expert to inform the company of any significant weaknesses in its internal control detected while checking the annual accounts or any other processes in which they have worked. The Committee shall issue an annual report, prior to issuance of the auditor's report, expressing an opinion on the independence of the external auditors and any supplementary services they may have provided.

B. With regard to relations with analysts, investment banks and rating agencies:

The Company has a Policy on Communication and Relations with Shareholders, Institutional Investors and Proxy Advisors approved by the Board of Directors, and a shareholder and investor relations Department, through which communications and information for investors in general are channelled.

Article 42 of the Regulations of the Board regulates the Company's relations with shareholders and the markets in general, providing that the Board of Directors shall take such measures as may be necessary to enable participation by shareholders in general meetings and organise meetings to inform the shareholders and investors (particularly institutional investors) on the progress of the Company and, where appropriate, its subsidiaries.

The Policy on Communication and Relations with Shareholders, Institutional Investors and Proxy Advisors contemplates the following general principles applicable in this matter:

- Communication and relations with shareholders, institutional investors and proxy advisors shall be conducted in accordance with the principles of transparency, truth and permanent, adequate, timely reporting.

- The principle of non-discrimination and equal treatment is recognised for all shareholders who are in the same conditions and not affected by conflicts of interest or competence.

- The rights and legitimate interests of all shareholders shall be protected.

- Continuous, permanent communication with shareholders and investors shall be encouraged.

- Reporting and communication channels shall be established with shareholders and investors to ensure compliance with these principles.

The Company's Audit and Compliance Committee is responsible for overseeing compliance with the rules and principles set out in the Policy on Communication and Relations with Shareholders, Institutional Investors and Proxy Advisors.

C.1.36 Indicate whether the external auditors have changed during the year. If so, name the incoming and outgoing auditors:

YES ☐ NO ☒

Explain any disagreements with the outgoing auditor:

C.1.37 State whether the firm of auditors does any work for the company and/or its group other than standard audit work and if so, declare the amount of the fees received for such work and the percentage it represents of the total fees invoiced to the company and/or its group:

YES ☒ NO ☐

	Company	Group	Total
Cost of work other than auditing (thousand euros)	224	393	617
Cost of work other than auditing / Total amount invoiced by the auditors (%)	54.63%	21.03%	27.07%

C.1.38 Indicate whether the auditors' report on the annual accounts of the previous year was qualified. If so, state the reasons given by the Chairman of the Audit Committee to explain the content and scope of the qualifications.

YES ☐ NO ☒

C.1.39 State the number of years in succession that the current firm of auditors has been auditing the annual accounts of the company and/or its group. Indicate the ratio of the number of years audited by the current auditors to the total number of years that the annual accounts have been audited:

	Company	Group
Number of years in succession	4	4
Number of years audited by current auditors / Number of years that the company has been audited (%)	14.80%	14.80%

C.1.40 Indicate, giving details if appropriate, whether a procedure has been established for directors to receive external counselling:

YES ☒ NO ☐

Details of procedure

The directors' right to counselling and information is regulated in Article 40 of the Regulations of the Board, which provides that:

- Any Director may, in the course of any specific duties commissioned to them on an individual level or within the framework of any of the Committees of the Board, request the Chairman to contract, at the Company's expense, such legal advisers, accountants, technical, financial or commercial experts or others as they may consider necessary, in order to assist them in the performance of their duties, provided such counselling is justified to resolve specific problems that are particularly complex and important.

- Considering the circumstances of the specific case, the Chairman may deny or authorise the proposal in a communication sent through the Secretary of the Board, who shall contract the expert in question, provided the proposal is authorised.

- The Chairman may also put the proposal to the Board, which may refuse to finance the counselling if (i) it is considered unnecessary for discharging the duties commissioned, (ii) the amount of finance required is considered out of proportion with the importance of the matter, or (iii) the Board considers that the technical assistance requested could be adequately provided by Company employees.

C.1.41 Indicate, with details if appropriate, whether there is an established procedure for directors to obtain sufficiently in advance any information they may need to prepare the meetings of the governing bodies:

YES ☒ NO ☐

Details of procedure

Details of procedure
Article 40 of the Regulations of the Board of Directors establishes the Directors' right to counselling and information, providing that: - Directors shall, whenever so required in the performance of their duties, have the fullest powers to obtain information on any matter whatsoever, obtaining such documents, records, background information or other elements as they may require in this respect. This right to information is extended to subsidiaries of the Group. - Directors shall address their requests for information to the Chairman and they will be dealt with by the Secretary of the Board, who shall supply the information directly or indicate who is to be contacted within the Company and, in general, establish the necessary measures to fully meet the Director's right to information. As a rule, all documents supporting the business to be transacted at Board meetings are sent together with the notice of call.

C.1.42 Indicate, with details if appropriate, whether the company has established any rules obliging Directors to report and, if necessary, retire in any situations that could be detrimental to the prestige and reputation of the company:

YES ☒ NO ☐

Explain the rules
Article 31 ("Retirement of Directors") of the Regulations of the Board of Directorts, in Chapter VII ("Directors' Statute") provides as follows: (i) Directors shall step down and tender their resignation when they are affected by one of the cases of incompatibility or disqualification established in law, the Articles of Association or the Regulations of the Board; and (ii) If a Director is prosecuted or an order is passed to commence trial against him for any offences contemplated in the applicable laws and regulations, he shall notify the Board as promptly as he is able. The Board shall study the case as soon as possible and, in view of the specific circumstances, decide whether or not that Director should remain in office, reporting on that decision and the underlying reasons in the Annual Corporate Governance Report.

C.1.43 Have any members of the Board informed the company that they have been sued or brought to trial for any of the offences contemplated in s. 213 of the Corporate Enterprises Act?

YES ☐ NO ☒

State whether the Board has studied the case. If so, indicate and explain the decision made as to whether or not the director should remain in office or, if appropriate, describe the actions taken by the board up to the date of this report, or which it plans to take.

C.1.44 Describe any significant agreements entered into by the company which enter into force, are modified or terminated in the event of a takeover of the company following a takeover bid, and the effects thereof.

Most of the financing agreements signed by the Company include takeover clauses on the usual terms for this type of contract. By virtue of those provisions, the lender reserves the right to terminate the financing agreement in the event of a takeover of the Company. Although there is no uniform definition of "takeover" for this purpose, the lender's right is triggered if there is a substantial change in the Company's significant shareholders.

C.1.45 Indicate globally and describe in detail any agreements made between the company and its directors, executives or employees contemplating golden handshake clauses in the event of resignation or unfair dismissal or termination of employment following a takeover bid or any other type of transaction.

Number of beneficiaries: 2

Type of beneficiary:

Executives

Description of the agreement:

Although the contracts of two executives contain golden handshake clauses for cases of dismissal or takeover, those clauses are no longer applicable, on their own terms.

State whether these contracts have to be notified to and/or approved by the governing bodies of the company/group companies:

	Board of Directors	General Meeting
Body authorising the clauses	**Yes**	**No**

	Yes	No
Is the General Meeting informed on the clauses?	X	

C.2 Committees of the Board

C.2.1 Give details of the different committees, their members and the proportion of executive, proprietary, independent and other non-executive directors in each committee:

EXECUTIVE COMMITTEE

Name	Position	Type
ANTONIO HERNÁNDEZ CALLEJAS	CHAIRMAN	Executive
DEMETRIO CARCELLER ARCE	MEMBER	Proprietary
JAVIER FERNÁNDEZ ALONSO	MEMBER	Proprietary

% executive directors	33.33%
% proprietary directors	66.67%
% independent directors	0.00%
% other non-executive directors	0.00%

Explain the duties attributed to this committee, describe the procedures and rules of organisation and procedure and summarise its most important actions during the year.

Articles 19 and 27 of the Articles of Association contemplate the delegation of powers of the Board of Directors to the Executive Committee.

The composition, organisation and procedure of the Executive Committee is governed by the provisions common to all the committees set out in Article 22 of the Regulations of the Board of Directors, and the specific regulations established in Article 28.1 of the Articles of Association and Article 23 of the Regulations of the Board.

The powers of this Committee are set out in Article 23.2 of the Regulations of the Board, without prejudice to what the Board may establish in its resolution to delegate powers.

The Executive Committee shall have no fewer than three nor more than seven members, including the Chairman and Vice-Chairman of the Board, who will form part of this Committee.

The Committee shall be presided by the Chairman of the Board. In general, one Executive Committee meeting will be held a month. Its meetings may be attended by such members of the management, employees and advisers of the Company as the Committee may deem fit.

Without prejudice to the autonomy of decision of the Executive Committee in respect of the delegated powers, its resolutions normally being fully valid and effective without ratification by the Board, if the Chairman or three members of the Committee consider this necessary in the circumstances, the resolutions adopted by the Executive Committee shall be submitted to the Board for ratification. This will also be applicable when the Board has delegated the Committee to study certain matters while reserving for itself the ultimate decision, in which case the Executive Committee shall merely submit the corresponding proposal to the Board.

During 2017, the Executive Committee assessed several investments, divestments and sales of assets, as well as the strategic decisions to be adopted in respect of the different business lines.

See explanatory Note seven in section H of this Report for the current composition of this Committee following the changes in the Board of Directors since 31 December 2017.

State whether the composition of this committee reflects the participation in the Board of the different categories of director:

YES ☐ NO ☒

If no, explain the composition of the executive committee

Following the death on 16 February 2017 of an independent Director who was on the Executive Committee, this Committee has one executive Director (the Chairman of the Board, who in turn chairs this Committee) and two proprietary Directors.

The Company is aware of this situation and is working to fill the vacancy left on the Board following his death with an independent Director, who would join the Executive Committee.

AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Type
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	CHAIRMAN	Independent
FERNANDO CASTELLÓ CLEMENTE	MEMBER	Independent
BELÉN BARREIRO PÉREZ-PARDO	MEMBER	Independent
MERCEDES COSTA GARCÍA	MEMBER	Independent
GRUPO TRADIFÍN, S.L.	MEMBER	Proprietary

% proprietary directors	20.00%
% independent directors	80.00%
% other non-executive directors	0.00%

Explain the duties attributed to this committee, describe the procedures and rules of organisation and procedure and summarise its most important actions during the year.

The Audit and Compliance Committee is governed by the applicable legal provisions, the specific rules on composition, organisation, procedure and powers established in Article 28.2 of the Articles of Association and Article 24 of the Regulations of the Board of Directors and the provisions on organisation and procedure common to all the Committees set out in Article 22 of the Regulations of the Board.

This Committee has a minimum of three Directors and a maximum of five.

All the members of this committee must be non-executive Directors, at least the majority must be independent Directors and one of the members must be appointed on account of their expertise and experience in accounting, auditing or both.

The Board shall appoint one of the independent Directors on the Audit and Compliance Committee to chair that Committee, subject to a report by the Nomination and Remuneration Committee. The Committee Chairman shall be replaced every four years and will become eligible for re-election one year after his retirement as such.

Meetings are held when called by its Chairman, or at the request of two of its members and at least once every three months. It shall also meet whenever so required by law or when the Board requests the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties.

In addition to those assigned to it by law, regulations or the Articles of Association, the Audit and Compliance Committee shall have the powers of supervision, monitoring, control and reporting to the Board established in Article 24.4 of the Regulations of the Board regarding the following matters:

- Risk management and internal control: it shall supervise and promote internal control of the company and the risk management systems, submit recommendations to the Board for a decision on the risk management and control policy, including tax risks, and ensure the adequacy and effectiveness of the internal control systems in relation to the accounting principles and policies used to prepare the Company’s financial statements and annual accounts.

- Financial reporting and annual accounts: it shall ensure that (i) the systems used for preparing the financial reporting and annual accounts conform to current laws and regulations and portray a true and fair view of the equity, financial position and results of the Company and (ii) the Board of Directors endeavours to submit the annual accounts to the General Meeting with an unqualified auditors' report.

- Relations with the internal and external auditors: it shall submit to the board, to be tabled at the General Meeting, proposals for the selection, appointment, re-appointment and replacement of the Company's external auditors and their terms of contract, the scope of their commission and the renewal or revocation of their engagement. It shall also ensure the independence of the external auditors, issuing an annual report, prior to issuance of the auditor's report, expressing an opinion on the independence of the external auditors and any supplementary services they may have provided.

- Intragroup transactions, related party transactions and conflicts of interest: it shall oversee and report to the Board of Directors on intragroup and related party transactions of the Company or subsidiaries and settle any conflicts of interest that may arise between the Company or the Group and its Directors, executives and significant shareholders.

- Whistleblowing channel: it shall investigate and solve any issues reported through this channel, paying special attention to those involving possible falsehood or misrepresentation in financial or accounting documents and possible fraud.

- Internal codes of conduct and rules of corporate governance: it shall supervise compliance with these codes and rules and, in particular, it shall oversee the implementation of and compliance with the internal regulations and codes applicable to the risk management and control systems, especially in relation to the financial reporting process.

During 2017, the Audit and Compliance Committee performed activities of supervision, control, monitoring and reporting to the Board of Directors in respect of the matters falling within its competence, including financial reporting, annual accounts, relations with the auditors, risk management and control systems, including tax risks, related party transactions, conflicts of interest, whistleblowing channel and compliance.

The Company will issue a detailed report of all the activities performed by the Audit and Compliance Committee during 2017, which will be made available to all shareholders prior to the forthcoming AGM 2018.

Name the member of the audit committee who has been appointed on account of his expertise and experience in accounting, auditing or both and indicate the number of years that the chairman of this committee has held this position:

Name of director with experience	JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL
No. years that the chairman has been in office	3

NOMINATION AND REMUNERATION COMMITTEE

Name	Position	Type
FERNANDO CASTELLÓ CLEMENTE	CHAIRMAN	Independent
DEMETRIO CARCELLER ARCE	MEMBER	Proprietary
MERCEDES COSTA GARCÍA	MEMBER	Independent
GRUPO TRADIFÍN, S.L.	MEMBER	Proprietary

% proprietary directors	50.00%
% independent directors	50.00%
% other non-executive directors	0.00%

Explain the duties attributed to this committee, describe the procedures and rules of organisation and procedure and summarise its most important actions during the year.

The Nomination and Remuneration Committee is governed by the applicable legal provisions, the specific rules on composition, organisation and procedure established in Article 28.3 of the Articles of Association and Article 25 of the Regulations of the Board of Directors and the provisions on organisation and procedure common to all the committees set out in Article 22 of the Regulations of the Board.

The powers of the Nomination and Remuneration Committee are regulated in Article 25.4 of the Regulations of the Board, without prejudice to any others that may be assigned to it by law, the Articles of Association or the Regulations of the Board.

This Committee has a minimum of three and a maximum of five non-executive Directors, at least two of which must be independent Directors. The members are appointed by the Board of Directors.

The Board shall appoint one of the independent Directors who are members of the Committee to chair it, subject to a report by that Committee.

Meetings are held when called by its Chairman, or at the request of two of its members and at least once every three months. It shall also meet whenever so required by law or when the Board of Directors requests the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties.

Pursuant to Article 25.4 of the Regulations of the Board, the Nomination and Remuneration Committee is competent to study, issue reports and submit proposals to the Board on the following matters:

- selection of candidates to join the Board of Directors;

- appointment of the Chairman, and Vice-Chairman if any, of the Board, Managing Director(s), Lead Independent Director and the Secretary, and Vice-Secretary if any, of the Board;

- succession of the Chairman and chief executive;

- appointment of Directors to the Committees of the Board of Directors;

- appointment and possible dismissal of senior executives and their termination benefit clauses;

- directors' emoluments, according to the system of remuneration established in the Articles of Association and the executive Directors' relationship with the Company;

- remuneration of Directors and executives indexed to the value of the shares in the Company or its subsidiaries or consisting of the delivery of shares in the Company or its subsidiaries or the granting of options thereover;

- selection policy for Directors, targets for the representation of the least represented gender on the Board and issuance of guidelines on how to achieve them;

- remuneration policy for Directors and senior management of the Company and Group subsidiaries;

- management training, promotion and selection policy in the Company and Group subsidiaries;

- Annual Report on Directors' Remuneration.

During 2017 the Nomination and Remuneration Committee performed the following activities, among others:

- It issued the corresponding reports on appointments, ratification and re-election of directors and, where appropriate, the individuals representing corporate directors, and their appointment to the different committees of the Board of Directors, following assessment of the candidates and submission to the Board of the corresponding nomination, for independent Directors.

- Following due assessment of the candidate, it submitted a nomination to the Board for appointment of a new Lead Independent Director, following the death in February 2017 of the director who formerly held this position.

- It submitted a proposal to the Board for raising the directors' statutory remuneration for 2016, payable in 2017.

The Company will issue a detailed report of all the activities performed by the Nomination and Remuneration Committee during 2017, which will be made available to all shareholders prior to the forthcoming AGM 2018.

STRATEGY AND INVESTMENT COMMITTEE

Name	Position	Type
DEMETRIO CARCELLER ARCE	CHAIRMAN	Proprietary
ANTONIO HERNÁNDEZ CALLEJAS	MEMBER	Executive
JAVIER FERNÁNDEZ ALONSO	MEMBER	Proprietary
HERCALIANZ INVESTING GROUP, S.L.	MEMBER	Executive

% executive directors	50.00%
% proprietary directors	50.00%
% independent directors	0.00%
% other non-executive directors	0.00%

Explain the duties attributed to this committee, describe the procedures and rules of organisation and procedure and summarise its most important actions during the year.

Article 28.4 of the Articles of Association stipulates that the Regulations of the Board of Directors shall also contemplate the existence of a Strategy and Investment Committee, the members of which may be any Directors.

The composition, organisation and procedure of the Strategy and Investment Committee are governed by the provisions common to all the committees set out in Article 22 of the Regulations of the Board and the specific provisions established in Article 24 of the Articles of Association, its powers being regulated in Article 24.3.

This Committee has a minimum of three and a maximum of five Directors, including a Chairman, appointed by the Board of Directors subject to a report by the Nomination and Remuneration Committee.

Meetings are held when called by its Chairman or at the request of two of its members, and in any case whenever the Board of Directors requests the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties.

The Committee is competent to study, issue reports and submit proposals for the Board on the following matters:

- setting of targets for growth, yield and market share;

- strategic development plans, new investments and restructuring processes;

- coordination with subsidiaries in the matters contemplated in paragraphs (a) and (b) above, for the common interests and benefit of the Company and its subsidiaries.

After its meeting on 16 November 2016, this Committee met again on 7 February 2018 to review the Ebro Foods Group Strategic Plan 2016-2018.

See explanatory Note seven in section H of this Report for the current composition of this Committee following the changes within the Board of Directors produced after 31 December 2017.

C.2.2 Complete the following table with information on the number of female directors on the board committees over the past four years:

	Number of female directors							
	2017		**2016**		**2015**		**2014**	
	No.	**%**	**No.**	**%**	**No.**	**%**	**No.**	**%**
EXECUTIVE COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
AUDIT AND COMPLIANCE COMMITTEE	3	60.00%	2	40.00%	1	25.00%	2	40.00%
NOMINATION AND REMUNERATION COMMITTEE	2	50.00%	1	25.00%	1	25.00%	2	40.00%
STRATEGY AND INVESTMENT COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3 Repealed.

C.2.4 Repealed.

C.2.5 Indicate the existence, if appropriate, of regulations of the board committees, where they are available for consultation and any modifications made during the year. State whether an annual report has been issued voluntarily on the activities of each committee.

In general, Article 28 of the Articles of Association establishes the basic regulation of the Committees of the Board, contemplating the existence and composition of (i) the Executive Committee, (ii) the Audit and Compliance Committee and (iii) the Nomination and Remuneration Committee. It also refers to the Regulations of the Board of Directors regarding the possible existence of a Strategy and Investment Committee.

The Regulations of the Board regulate the Board committees in the following specific provisions:

- General provisions applicable to all the committees: Article 22

- Executive Committee, Article 23

- Audit and Compliance Committee, Article 24

- Nomination and Remuneration Committee, Article 25

- Strategy and Investment Committee, Article 26

The Regulations of the Board also contemplate in different articles the powers of the different Committees of the Board in different areas (e.g. modification of the Regulations).

Both the Articles of Association and the Regulations of the Board are available for consultation on the Company's website (www.ebrofoods.es). The Regulations of the Board are also published and available for consultation on the website of the National Securities Market Commission (www.cnmv.es).

Both the Audit and Compliance Committee and the Nomination and Remuneration Committee issue annual activity reports, which are submitted to the Board of Directors for its information and consideration within the assessment of the Board and its Committees. Those activity reports are made available for shareholders on the company's website coinciding with the call to the Annual General Meeting.

C.2.6 Repealed.

D. RELATED PARTY AND INTER-COMPANY TRANSACTIONS

D.1 Explain the procedure, if any, for approving related party and inter-company transactions.

Procedure for approving related party transactions

Apart from cases which, by law, require approval by the General Meeting, related party transactions are approved by the Board subject to a report by the Audit and Compliance Committee.

Article 24 of the Regulations of the Board of Directors establishes the power of the Audit and Compliance Committee to report to the Board prior to the adoption of any decisions on related party transactions submitted for its authorisation and to supervise and report to the Board on intragroup and related party transactions of the Company or subsidiaries of the Group.

With regard to related party transactions, Article 37.3 of the Regulations of the Board expressly establishes that other than in the cases in which this power is reserved by law to the General Meeting, any transactions made by the Company or Group companies with Directors, significant shareholders, other related parties or shareholders represented on the Board must be authorised by the Board. That authorisation is not necessary when the transactions meet all of the following three conditions: (i) they are made under contracts with standard terms and conditions applied "en masse" to numerous clients; (ii) they are made at prices or rates established generally by the supplier of the goods or provider of the services in question. (iii) the amount thereof does not exceed 1% of the Company's annual revenue.

General, prior authorisation by the Board for a line of transactions and their conditions, subject to a report by the Audit and Compliance Committee, will be sufficient for bilateral or recurring transactions made in the normal course of the company's business. Finally, in cases where urgent action is necessary, related party transactions may be authorised by the Executive Committee, subject to subsequent ratification by the Board.

Finally, the company makes intragroup transactions on arm's length terms, documenting them according to the requirements of the laws (essentially tax laws) in place in each jurisdiction. This is one of the practices required by the Risk Control and Management Policy established in the Ebro Group.

D.2 List any transactions for a significant amount or object between the company and/or companies in its group and significant shareholders of the company:

Name of significant shareholder	Name of company or group company	Relationship	Type of transaction	Amount (thousand euro)
SOCIEDAD ANÓNIMA DAMM	HERBA RICEMILLS, S.L.U.	Commercial	Sale of goods (finished or otherwise)	5,152

D.3 List any significant transactions for a significant amount or object between the company and/or companies in its group and the directors or executives of the company:

Name of director or executive	Name of related party	Relationship	Type of transaction	Amount (thousand euro)
ANTONIO HERNÁNDEZ CALLEJAS	LUIS HERNÁNDEZ GONZÁLEZ	RELATIVE	Operating leases	41
GRUPO TRADIFÍN, S.L.	CABHER 96, S.L.	CORPORATE	Purchase of goods (finished or otherwise)	113
HERCALIANZ INVESTING GROUP, S.L.	INSTITUTO HISPÁNICO DEL ARROZ, S.A.	CORPORATE	Operating leases	340
HERCALIANZ INVESTING GROUP, S.L.	INSTITUTO HISPÁNICO DEL ARROZ, S.A.	CORPORATE	Purchase of goods (finished or otherwise)	10,640
HERCALIANZ INVESTING GROUP, S.L.	INSTITUTO HISPÁNICO DEL ARROZ, S.A.	CORPORATE	Services rendered	12
HERCALIANZ INVESTING GROUP, S.L.	INSTITUTO HISPÁNICO DEL ARROZ, S.A.	CORPORATE	Services received	115
HERCALIANZ INVESTING GROUP, S.L.	INSTITUTO HISPÁNICO DEL ARROZ, S.A.	CORPORATE	Sales of intangible assets	2
HERCALIANZ INVESTING GROUP, S.L.	INSTITUTO HISPÁNICO DEL ARROZ, S.A.	CORPORATE	Sale of goods (finished or otherwise)	1,826
ANTONIO HERNÁNDEZ CALLEJAS	ANTONIO HERNÁNDEZ GONZÁLEZ	RELATIVE	Dividends and other distributions	18
ANTONIO HERNÁNDEZ CALLEJAS	LUIS HERNÁNDEZ GONZÁLEZ	RELATIVE	Dividends and other distributions	21
ALIMENTOS Y ACEITES, S.A.	-	-	Dividends and other distributions	9,086
FERNANDO CASTELLÓ CLEMENTE	-	-	Dividends and other distributions	1,315
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	-	-	Dividends and other distributions	2
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	LA FUENTE SALADA, S.L.	CORPORATE	Dividends and other distributions	2,622
EMPRESAS COMERCIALES E INDUSTRIALES VALENCIANAS, S.L.U.	-	-	Dividends and other distributions	6,864
GRUPO TRADIFÍN, S.L.	-	-	Dividends and other distributions	6,982
HERCALIANZ INVESTING GROUP, S.L.	-	-	Dividends and other distributions	6,982
CORPORACIÓN ECONÓMICA DELTA, S.A.	-	-	Dividends and other distributions	6,728

D.4 Report any significant transactions with other companies in the group that are not eliminated in the consolidated financial statements and which, by virtue of their object or terms, do not correspond to the normal business of the Company:

In any case, inform on any inter-company transaction with companies established in countries or territories considered tax havens:

D.5 State the amount of transactions made with other related parties.

295 (thousand euros).

D.6 Describe the mechanisms established to detect, define and resolve possible conflicts of interest between the company and/or its group, and its directors, executives or significant shareholders:

Apart from the powers of the General Meeting and the Board of Directors on conflicts of interest of the Directors, under Article 24 of the Regulations of the Board of Directors, the Audit and Compliance Committee has the power to settle any conflicts of interest that may arise between the company or the group and its Directors, executives, significant shareholders and listed subsidiaries, if any.

With regard to the directors, Article 36 of the Regulations of the Board provides that Directors may not perform activities for their own or third party account that effectively or potentially compete with the Company or which otherwise puts them in a permanent conflict of interest with the company; and Article 37.1 establishes the obligation of Directors to take such measures as may be necessary to avoid falling into situations in which their interests, for their own or third party account, may conflict with the corporate interests and their duties to the Company.

For this purpose, Article 38 of the Regulations of the Board stipulates that Directors shall inform the Board of any direct or indirect conflict of interest that they or any of their related parties may have with the Company. Furthermore, pursuant to Article 32.4 of the Regulations of the Board, Directors shall abstain from participating in the corresponding debates and voting on resolutions or decisions in which they or any person related to them has a direct or indirect conflict of interest, except in the cases in which they are authorised by law to participate in the discussion and voting.

Rule 13 of the current Internal Code of Market Conduct stipulates that any Relevant Persons (Directors, senior executives and their closely related parties) who are or may be in a conflict of interest shall:

(i) inform the Compliance Unit of their situation;

(ii) abstain from participating in or influencing any decisions on the matters affected by the conflict;

(iii) act with freedom of judgement, loyalty to the Company and its shareholders and independently of their own interests;

(iv) abstain from requesting or having access to any information or documentation related with the conflict of interest.

It also provides that the Audit and Compliance Committee, assisted by the Compliance Unit, shall make such decisions as may be necessary in respect of any conflicts of interest that may arise.

Without prejudice to their obligation to inform, both the Directors (and in the case of corporate directors, also their representatives on the board) and the significant shareholders of the company are asked each year, when drawing up the Annual Accounts and preparing the Annual Corporate Governance Report, for confirmation of any transactions that they may have made with the Company and/or other companies in the Group, their engagement in activities similar or complementary to those included in the company's objects and that there have been no other conflicts of interest during the year.

D.7 Is more than one company of the Group listed in Spain?

YES ☐ NO ☒

Name any subsidiaries listed in Spain:

Listed subsidiary

State whether the respective areas of business and possible business relationships between them have been precisely and publicly defined, as well as those of the listed subsidiary with other group companies;

Define any business relationships between the parent company and the listed subsidiary and between the latter and the other group companies

Describe the mechanisms in place to settle any possible conflicts of interest between the listed subsidiary and other companies in the group:

Mechanisms for solving possible conflicts of interest

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the company's Risk Management System, including tax risks.

As an integral part of the corporate policies passed by the Board, the Risk Control and Management Policy lays down the basic principles and the general framework for control and management of the business risks, including tax risks, and internal control of financial reporting to which Ebro Foods, S.A. and other companies in its Group are exposed.

Within this general framework, the integral, homogenous Risk Control and Management System is based on the preparation of a business risk map, through which, by pinpointing, assessing and grading of the risk management capacity, the risks are ranked from greater to lesser impact for the Group and by probability of occurrence. The risk map also identifies methods for mitigating or neutralising the risks detected.

The risk universe is structured in four main groups: compliance, operational, strategic and financial, and they are all subdivided into a large number of categories.

The risk classification process dynamically assesses both the inherent risk and the residual risk after application of the internal controls and action protocols established to mitigate them. These controls include preventive controls, adequate separation of duties, clear levels of authorisation and definition of policies and procedures. These controls can in turn be grouped into manual and automatic, made by data processing applications.

This model is both qualitative and quantitative and can be measured in the Group's results, for which purpose the risk level is considered acceptable or tolerable on a corporate level.

The Risk Control and Management System is dynamic, so the risks to be considered will vary according to the circumstances in which the Group's business is performed.

E.2 Name the corporate bodies responsible for preparing and implementing the Risk Management System, including tax risks.

The System for Control and Management of Risks, including tax risks, and control of financial reporting is based essentially on the following structure:

- The Board of Directors, as ultimately responsible, defines the policy for control and management of risks, including tax risks, and control of financial reporting. Article 17.3 of the Regulations of the Board of Directors provide that the Board shall receive information on the most important aspects of business management and any foreseeable risk situations for the Company and its subsidiaries, together with the actions proposed by the senior management in respect thereof.

- The Audit and Compliance Committee, through the Risks Committee, performs the duties of oversight and monitoring of the financial reporting and risk control systems, reporting regularly to the Board on any significant aspects arising in these areas. It is responsible for supervising and promoting internal control of the Company and the risk management systems and submitting recommendations to the Board on the risk control and management policy and possible mitigation measures in those areas.

- The Risks Committee, based on the policy established by the Board of Directors and under the supervision of and reporting to the Audit Committee, is specifically responsible for coordinating and monitoring the system for control and management of risks, including tax risks, and control of the Group's financial reporting. The Risks Committee also analyses and assesses the risks associated with new investments.

- The Management Committees of the core business units of the Group, on which the Chairman of the Board and the Chief Operating Officer (COO) sit, assess the risks and decide on mitigation measures.

- Risk officers of the core business units of the Group. The Risks Committee nominates individuals in the major subsidiaries to monitor the systems for management and control of risks (including tax risks) and financial reporting and reporting to the Committee.

- Internal Audit Department. Within the internal audits of the different subsidiaries, the Company's Internal Audit Department checks that the testing and control of the financial reporting and risk management systems have been performed adequately in accordance with the indications by the Risks Committee.

E.3 Define the main risks, including tax risks, that could have a bearing on achievement of the company's business goals.

A. Operational risks:

- Food safety.Owing to the nature of the Group's business, aspects regarding food safety are a critical point to which the Group pays the utmost attention, as we are bound by a large number of laws and standards in each of the countries in which the Group's products are put on the market.

- Commodity supply risk. The availability of commodities in the quantity and quality required to meet our commitments to customers and the requirements of our brands is a key factor for our business both nationally (Spanish paddy rice) and internationally (semi-processed rice for the Group subsidiaries).

- Market risk (prices). Unexpected variations in the prices of our commodity supplies may seriously affect the profitability of our commercial transactions, in both the industrial and brand-based segments. The main risk lies in the prices of the different rice varieties and durum wheat, although it extends also to other materials consumed, such as packaging material and oil derivatives.

- Customer concentration risk. The concentration of customers, which can occur in both the industrial and brand segments, may lead to less favourable commercial terms for our sales and affect our credit risk.

- Technological risk. In our sector, one of the most important tools for competing with our rivals is based on constant technological innovation and searching for ways to adapt to consumers' desires. Consequently, "technological lag" is considered a possible risk.

B. Risks related with the environment and strategy:

- Environmental risk. Respect for the environment is another critical point for the Group, considering our industrial activity, with a large number of plants distributed internationally. We aim to adopt a set of good practices, complying scrupulously with the law.

- Climate risk. The effects of droughts, flooding and other weather perils in the countries where we source our supplies can cause problems of availability and unstable commodity prices, in both rice and durum wheat.

- Competition risk. In general, the pressure from white label brands is the main threat for maintaining the market shares of the Group's brands.

- Reputational risk. This is the risk associated with changes of opinion resulting in a negative perception of the Group, its brands or products by customers, shareholders, suppliers, market analysts, employees, institutions, etc., as they may adversely affect the Group's ability to maintain its commercial and financial relations or its interaction with social partners.

- Changes in lifestyle. The proliferation of low carbohydrate diets or other food habits could alter consumers' perception of our products.

- Country or market risk. Owing to the international nature of the Group's activities, political and economic circumstances in the different countries in which we operate and other market variables, such as exchange rates, interest rates, costs of production, etc. may affect our business.

- Natural disasters, fires. As an industrial group, a significant part of the assets on the Group's balance sheet corresponds to its factories, so any natural incidents (earthquakes, fires, etc.) that may affect the integrity of the Group's plants are a business risk.

C. Compliance risks:

- Sectoral regulatory risk. The food industry is a sector subject to numerous regulations affecting export and import quotas, customs duties, intervention prices, etc., subject to the directives laid down in the Common Agricultural Policy (CAP). The Group's activity may also be affected by changes in legislation in the countries in which it sources raw materials or sells its products.

- General regulatory risk. These include risks of compliance with civil, commercial, criminal and good governance provisions. In the area of criminal risks, the Group has a Crime Prevention Model, monitored and controlled by the Compliance Unit. At the date of this report, the Compliance Unit is working on the preparation of a criminal risks training plan for employees.

- Tax risks. Any changes in the tax laws or the interpretation or application thereof by the competent authorities in the countries in which the Group operates could affect its earnings.

D. Financial risks:

This Group includes foreign exchange, interest rate, liquidity and credit risks. The foreign exchange risk is particularly significant because the functional currency of the Group is the euro, but a considerable part of its commodity supply transactions are in US dollars and a very large part of the Group's investments are also in that currency.

E.4 State whether the company has a risk tolerance level, including one for tax risks.

Risks are measured by both inherent and residual risk.

A scorecard is made each year of the principal ten risks to which the Group may be exposed (the TOP TEN), which are rated and measured as far as possible. If the economic consequences of a risk could cause a loss (or a loss of profit) of more than 5% of the consolidated EBITDA budgeted, or over 20% of the individual EBITDA of a business, it is considered a threat requiring corporate action.

In general, the heads of the different business units (the Management Committee of each unit) define the risks affecting their respective businesses, assess the possible economic impact of those risks and, according to the specific circumstances prevailing, establish whatever mitigation measures they deem fit. Without prejudice to the supervision by the Risks Committee and Audit Committee, the Management Committee of each unit implements and monitors the mitigation measures taken and assesses the results thereof.

This notwithstanding, when a threat is identified that requires action on a corporate level (as mentioned in the first paragraph above), the persons responsible for risk control and management in the corresponding unit inform the Risks Committee of the situation, proposing such mitigation measures as they may consider adequate. The Risks Committee assesses the situation and the sufficiency and suitability of the proposed mitigation measures, supplementing them with additional measures should it deem fit.

E.5 What risks, including tax risks, have occurred during the year?

The following risks occurred within the Ebro Group during 2017, further details of which are provided in explanatory Note eleven in Section H of this Report:

● Commodity price and availability risk

● Country risk

● Risk of natural catastrophes and accidents

● Competition risk

● Regulatory and reputational risk

● Exchange rate risk

E.6 Explain the response and supervision plans for the main risks, including tax risks, to which the company is exposed.

The management committee in each subsidiary is responsible for monitoring the subsidiary's risk supervision system. Management committees usually meet monthly to analyse any risks that may have materialised and follow up the contingency plans and actions taken to mitigate them. Control and monitoring of the economic variables in each subsidiary against the corresponding budget also ensures the immediate detection of unforeseen risk situations. The subsidiaries with greatest weight within the Group, such as the North American subsidiaries, have "Crisis Management Plans" (CMP), which specify the main risks to which the company is exposed, the protocols for responding to them and the company officers responsible for implementation.

This notwithstanding, when a threat is identified that requires action on a corporate level (see section E.4), the persons responsible for risk control and management in the corresponding unit inform the Risks Committee of the situation, proposing such mitigation measures as may be considered adequate. The Risks Committee assesses the situation and the sufficiency and suitability of the proposed mitigation measures, supplementing them with additional measures should it deem fit.

The measures to control, reduce and, as the case may be, mitigate the risks are established according to the following basic criteria:

- They shall seek to neutralise the risk detected, maintaining coherence between the importance of the risk and the cost and means required to neutralise it.

- If neutralisation is not feasible, measures shall be designed to reduce the potential economic consequences, if possible to within tolerance levels.

- The management and control shall, as far as possible, forestall rather than remedy.

- The control mechanisms shall adequately separate management and oversight.

- The different people responsible for risk management shall coordinate their actions to be efficient, seeking the utmost integration between control systems.

- Maximum transparency shall be ensured in the identification and assessment of risks, specification and implementation of mitigation measures and assessment of the results of those measures.

- Compliance must be guaranteed with the internal reporting requirements to the bodies responsible for supervision and control.

F FINANCIAL REPORTING INTERNAL RISK CONTROL AND MANAGEMENT SYSTEM (FRICS)

Describe the mechanisms comprising the financial reporting internal control and risk management systems (FRICS) of your company

F.1 Control environment

Report on at least the following, describing their principal features:

F.1.1 What bodies and/or duties are responsible for: (i) the existence and maintenance of an adequate and effective FRICS; (ii) its implementation; and (iii) its oversight?

As established in its Regulations, the Board of Directors is ultimately responsible for the existence, maintenance and oversight of an adequate, effective financial reporting internal control system (FRICS).

The Audit and Compliance Committee is responsible for: (i) supervising and promoting the procedures and systems used to prepare and control the company's financial reporting; (ii) checking any public financial reporting; and (iii) ensuring implementation of and compliance with the internal regulations and codes applicable to the risk control and management systems in relation to the financial reporting process.

The Management Committee is responsible for the design, implementation and functioning of the FRICS through the Group Finance Department and the Finance Departments of the different business units. The different general managements are responsible for effective implementation of these systems within their respective areas of activity. There are also officers responsible for the different processes documented within the FRICS, who must ensure that those processes are kept up to date, informing the Risks Committee, through the finance department and general management of the corresponding business unit, of any modifications or adaptations required.

The Risks Committee, reporting to the Audit and Compliance Committee, is specifically responsible for coordinating and monitoring the system for control and management of risks, including tax risks, and controlling the Group's financial reporting.

F.1.2 State whether the following elements exist, especially in respect of the financial reporting process:

- Departments and/or mechanisms responsible for: (i) designing and reviewing the organisational structure; (ii) clearly defining the lines of responsibility and authority, with an adequate distribution of tasks and duties; and (iii) ensuring that there are sufficient procedures for adequately informing the company.

As established in its Regulations, the Board of Directors is responsible for defining the general strategy and guidelines for management of the Company and its Group and encouraging and supervising the actions taken by the senior officers, establishing an organisational structure that will guarantee the utmost efficiency of the senior management and the management team in general.

According to the Regulations of the Board of Directors, the Nomination and Remuneration Committee is responsible for checking the criteria followed regarding the composition and structure of the Board and for selecting candidates for the Board. It also nominates the Chairman, CEO or managing directors and Secretary of the Board and proposes the assignment of Directors to the different Board Committees, the members of the Management Committee and any other advisory committees that the Board may create.

In turn, under the policies approved by the Board, the Nomination and Remuneration Committee supervises the Senior Management of the Group, both in appointments and removals and in assessing the senior executive remuneration and incentives policy.

Within each group company, the organisational structure of the units participating in the preparation of financial reporting depends on several factors, such as the volume of operations or type of business, but in all cases it corresponds to the need to cover the main duties of recording, preparing, checking and reporting the operations performed and the economic and financial position of the company. The executive directors and management of Ebro Foods participate actively in the management committees of the Group's subsidiaries, thereby guaranteeing direct communication through the lines of responsibility and authority.

The senior management and the human resources departments of the Group and each of the subsidiaries are responsible for designing the organisational structure according to local needs, the most important subsidiaries having a formal definition through organisation charts, which include a description of the duties and responsibilities of the main areas participating in internal control of financial reporting.

The different job descriptions of positions and responsibilities are maintained by the Human Resources department of each subsidiary and the managements of all the subsidiaries, especially the financial managements, are informed of any new member of a subsidiary.

- Code of conduct, body responsible for its approval, degree of publicity and instruction, principles and values included (stating whether there is any specific mention of the recording of transactions and preparation of financial reporting), body responsible for analysing default and proposing corrective measures and penalties.

The Code of Conduct of the Ebro Group, an update of the earlier Codes of Ethics and Conduct drawn up by the Ebro Foods Group in 2003, 2008 and 2012, was approved by the board on 25 November 2015 and all levels of the organisation were notified.

The Code of Conduct provides guidance on how to act in the Group's internal and external relationships, strengthening the values that distinguish us and establishing a basic reference to be followed by the Group.

The Code aims to:

● Be a formal, institutional reference for personal and professional conduct.
● Guarantee the responsible, ethical behaviour of all the Group's professionals in their work.
● Reduce the element of subjectivity in personal interpretations of moral and ethical principles.
● Create a standardisation tool to guarantee progressive implementation throughout the Group of the ten principles of the UN Global Compact.
● Grow responsibly and committed to all our stakeholders.

As established in the Code of Conduct, the Group assumes a principle of conduct based on transparent reporting, consisting of an undertaking to report reliable financial, accounting or other information to the markets. Accordingly, the company's internal and external financial reporting will give a true and fair view of its real economic, financial and equity situation according to generally accepted accounting principles.

Employees formally sign the Code of Conduct when they join the workforce of most Group companies and all new Group employees during the year were informed and given a copy of the Code.

The Code of Conduct is published in the Intranet, where it can be consulted by any employee, and on the Group's website.

The Audit and Compliance Committee is responsible for monitoring and controlling application of the Code. The Compliance Unit, which has sufficient initiative, autonomy and resources, is responsible, among other duties, for assisting the Audit and Compliance Committee in the supervision of compliance, publication and interpretation of the Code of Conduct.

The Audit and Compliance Committee has an e-mail address to which any Group employee may send queries and suggestions regarding the interpretation of the Code of Conduct.

The Audit and Compliance Committee reports regularly to the Group's Board of Directors on any queries raised in respect of the interpretation and application of the Code of Conduct, how they have been solved and, where appropriate, the interpretation criteria followed.

The Code of Conduct provides that any violation or breach of the Code that is classified as a labour offence shall be penalised according to the labour laws, without prejudice to any other liability that the infringer may incur and the remedial measures that may be established by the different Group companies in pursuance of prevailing laws. On a Group level, the Audit and Compliance Committee, assisted by the Compliance Unit, shall receive reports of any violation of the Code of Conduct and act accordingly.

- Whistleblowing channel, through which the audit committee can be informed of any financial or accounting irregularities, any breaches of the code of conduct and irregular activities within the organisation, indicating whether this channel is confidential.

  As established in the Regulations of the Board of Directors, the Audit and Compliance Committee is formally responsible for implementing a confidential whistleblowing channel accessible to all Group employees and defining a protocol for prioritising, processing, investigating and settling reports according to their importance and nature, especially any concerning possible financial or accounting misrepresentations.

  For this purpose, the Ebro Group has established a whistleblowing or reporting channel, through its Code of Conduct, through which any irregular conduct in financial, accounting or other areas and any breach of the code of conduct can be reported confidentially.

  Through that whistleblowing channel, therefore, any employees may report whatever conduct they may consider necessary and contact the chairman of the Audit and Compliance Committee directly to inform on potential breaches. Access to that e-mail account, technologically protected to prevent any unauthorised access, is limited exclusively to the Chairman of the Audit and Compliance Committee who, as an independent Director, has no relationship with the management structure of the Group.

  The Audit and Compliance Committee guarantees the confidentiality of the reports handled, according to a confidentiality commitment signed by all those involved in handling the reports and other precautions included in the "Report Handling Protocol". That protocol, approved by the Audit and Compliance Committee in 2012, establishes the procedure to be followed on receiving reports, regarding their processing, prioritising, solving and notification.

- Training programmes and regular updates for employees involved in the preparation and checking of financial information and evaluation by the FRICS, covering at least accounting and auditing standards, internal control and risk management.

  The Ebro Group has a policy of making sure it has personnel with sufficient training and experience to perform the duties and responsibilities assigned to them. The Ebro employees involved in the preparation and checking of the financial information and FRICS evaluation participate in training and refresher courses regarding the laws and standards in place from time to time and good practices to guarantee the reliability of the financial information generated.

  The Ebro Group also encourages and provides means and resources for its employees to keep their accounting knowledge up to date through the attendance of seminars, on-line information and other means and regular meetings are held with the external auditors to assess in advance the standards in place or those about to enter into force.

  During the year the Ebro Group has focused its training for personnel involved in the preparation and checking of financial information and FRICS evaluation on the following aspects:

  - Accounting updates
  - Management and control of costs for business decision-making
  - Training in the tax laws in different countries
  - Financial Reporting Internal Control System Manual

  In addition, the external auditors of the Company and its Group regularly attend the meetings of the Audit and Compliance Committee to give training on the principal novelties in accounting and auditing, especially those that have or may have a greater effect on the Group's accounts.

F.2 Measurement of risks in financial reporting

Report at least on:

F.2.1 What are the main features of the risk identification process, including risks of error or fraud, in respect of:

- Whether the process exists and is documented.

  Within the risk control and management policy approved by the Board, the financial reporting internal control system is supervised by the Audit and Compliance Committee, assisted by the Risks Committee and the Group Finance Department.

  The potential risk events that could affect the organisation are identified and assessed through the FRICS, pinpointing and assessing the risks corresponding to each line of business. Through this risk control and management system, the Ebro Group has drawn up a consolidated risk map by compiling and combining the risk maps of its major subsidiaries.

This process is coordinated by the Risks Committee, which manages and establishes the permitted tolerance to the risk and coordinates actions to align the measures addressing risks with the Group's global risk policy so that the exposure to risk assumed by the Ebro Group overall is known at all times.

Based on the results obtained, systems are devised for addressing risks and internal control, to keep the likelihood and impact of those risks on financial reporting within the tolerance levels, thereby providing reasonable certainty regarding achievement of the strategic business goals.

- Whether the process covers all the financial reporting objectives (existence and occurrence; integrity; measurement; presentation, breakdown and comparison; and rights and obligations); whether it is updated and how often.

The Ebro Group has established a continuous improvement process to minimise the risks related with financial reporting, improving the design and effectiveness of existing controls.

For this purpose, it has a process identifying the risks affecting the reliability of financial reporting, based on and beginning with a definition of the scope, according to quantitative criteria of materiality in respect of the consolidated amounts and other qualitative criteria (error, fraud, uncommon transactions, etc.). Companies in the major business units or divisions that meet any of the afore-mentioned criteria and the material accounting items of each one are defined according to those criteria. Once the material items have been defined on a company level, the processes and sub-processes they affect are established, according to a relationship matrix.

For each of the sub-processes included within the scope, the inherent risks are identified and the checks made by the responsible persons to mitigate those risks are defined, setting this information down in a Risks-Controls Matrix. Those risks take account of all the financial reporting objectives (existence and occurrence; integrity; measurement; presentation, breakdown and comparison; and rights and obligations).

The financial reporting risks are identified in the Ebro Group's Risks-Controls Matrix and updated to take account of any changes in the scope of consolidation of the Group or development of its business and their reflection in the financial statements, making a comparative analysis every year of the variations in material processes and sub-processes to establish any risks that have not been previously identified.

- The existence of a process for defining the scope of consolidation, taking into account, among other aspects, the possible existence of complex corporate structures, base companies or special purpose vehicles.

The Ebro Group has a process based on internal regulations that guarantees the correct identification of the scope of consolidation through an adequate separation of duties in the requesting, authorising, reporting and recording of any operation entailing the incorporation, merger, division, acquisition or sale of companies and any other corporate operation, directly involving the legal department and the board.

This process considers the possible existence of complex corporate structures, base companies or special purpose vehicles, among other means by establishing an adequate structure to separate the duties of requesting, authorising and reporting for any corporate operation within the Group. No transactions or complex corporate structures that might entail off-balance sheet transactions which should be recorded within the reporting period were identified this year.

- Whether the process takes into account the effects of other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they affect the financial statements.

The Risk Control and Management System of the Ebro Group is designed to identify potential risk events that might affect the organisation. At present there are four types of risks: Operating, Compliance, Strategic and Financial risks, and the conclusions are taken into account insofar as the risks may affect financial reporting. For this purpose, the Risks Committee acts as a unit of coordination and interrelation of the effect of the risks detected on the different areas (management, business, financial reporting, legal, reputational etc. risks).

- Which governing body of the company supervises the process.

While the Board has the power, which it may not delegate, to determine the policy for control and management of risks, including tax risks, and supervision of the FRICS, the Audit and Compliance Committee is responsible for supervising and promoting the procedures and systems used to prepare and control the Company's financial reporting, and controlling the implementation of and compliance with the risk control and management systems, both in general and in respect of the financial reporting process.

F.3 Control activities

Inform whether the company has at least the following, describing their main features:

F.3.1 Procedures for checking and authorising financial information to be published on the stock markets and description of the FRICS, indicating who is responsible for these tasks and documentation describing the flows of activities and controls (including those checking for the risk of fraud) in the different types of transactions that may have a material effect on the financial statements, including the procedure for closing of accounts and the specific review of judgements, estimates, valuations and significant projections.

The priorities established within the Ebro Group include the quality and reliability of the financial information, both internal information for decision-making and external information published on the markets. The information to be provided by the different units is requested by the Group financial department, paying special attention to the processes of closing the accounts, consolidation, measurement of intangibles and areas subject to judgement and estimates.

The Ebro Group has procedures for checking and authorising the financial information and description of the FRICS, responsibility for which corresponds to the Financial Department, the Risks Committee, the Audit and Compliance Committee and the Board of Directors.

The Audit and Compliance Committee checks and analyses the financial statements and any other important financial information, as well as the principal judgements, estimates and projections included and discusses them with the corporate financial department and the internal and external auditors to confirm that the information is complete and the principles applied are consistent with those of the previous full-year accounts.

The procedure for checking and authorising the financial information corresponds to the Group financial department, based on the information checked and validated by the different units. The Audit and Compliance Committee supervises this information to be published on the market and it is approved by the Board of Directors.

The Group has implemented an improvement process to increase the documentation and make the generation of financial information and its subsequent supervision more effective and efficient.

The significant processes involved in the generation of the Group financial reporting are documented based on the COSO internal control model. The main processes documented are:

- Closing of Financial Statements and Reporting

- Consolidation

- Sales and Receivables

- Purchases and Payables

- Fixed Assets

- Inventories

- Payroll

The documentation outline is extended progressively, according to the materiality and the general criteria established in the Group’s financial reporting internal control system.

The persons responsible for each of the documented processes in each subsidiary have been identified. They are responsible for keeping those processes up to date on an annual basis, reporting any modifications or adaptations to the Risks Committee through the Group’s financial department.

Process documentation includes details of the flows and transactions and the financial reporting objectives and controls established to ensure they are met. It also contemplates the risks of error and/or fraud that might affect the financial reporting objectives. The documentation of flows of activities and controls that may have a material effect on the financial statements, including the accounts closing procedure, includes the preparation of narratives on the processes, flow charts and risk and control matrices. The controls identified are both preventive and detective, manual or automatic, describing also their frequency and associated information systems.

F.3.2 Internal control procedures and policies for the IT systems (including access security, track changes, operation, operating continuity and separation of duties) used for the significant processes of the company in the preparation and publication of financial information.

The Group has rules of action for managing financial information security. Those rules are applicable to the systems used to generate financial information and the IT Department is responsible for defining and proposing the security policies.

Within its policies and infrastructure management the Ebro Group has procedures to secure each of the following points:

i) Both physical and logical access are controlled to ensure that only authorised internal and external personnel can access the Ebro centres and systems. Ebro has several Data Centres, the main one in Spain where the company's critical systems are housed. The major subsidiaries also have local data centres. They all have their own infrastructure to guarantee adequate control of access to the installations. In small subsidiaries, the general rule is to have external service providers to provide that security. When external service providers are used, the Ebro Group makes internal audits of the information systems and their architecture, including the security aspect.

Logical access control is secured with efficient management of access to our systems, whether internal or external, and through a user management coordinated with the human resources department and the company's group of managers. Ebro has user access control systems and workflow tools to guarantee inter-departmental integration and efficient updating of user status, regularly identifying those who no longer access the systems. Ebro Foods has begun a global Duties Separation project, within its corporate risk control policy.

External access is guaranteed through specific users and controlled management. The necessary elements have also been provided on a network level to ensure that only authorised users and processes have access from outside.

ii) The larger subsidiaries mainly use the ERP system called SAP. In all those cases, Ebro has procedures underpinned by systems in which production changes are systematically filtered and assessed, their life cycle managed, and disseminated after acceptance by specific users and impact analysis in the systems currently used in production.

iii) The separation of duties is underpinned by the use of roles by groups of users, which allow access only to the information and transactions previously approved by the organisation. The modification or creation of new roles is backed by the same procedure that guarantees management of the user life cycle and is applicable to the major companies of the Ebro Group. Special attention is paid to separation in IT support processes to make sure that the tasks of development, sending to production and administration of the system are duly separated.

iv) Ebro has internal tools which, combined with the user support departments and systems (Help Desks), guarantee the management and traceability of incidents in the IT systems. Programme changes are managed within that system, which is based on ITIL best practices and management.

The critical information systems are always housed in our data centres and there are individuals assigned to each one who are responsible for proactive monitoring of the automatic processes and proactive assessment of the yield and functioning of the systems.

Ebro has global contracts with security control tool providers, which guarantee the installation of such tools in all the computer and data processing equipment used in the company.

v) Ebro has tools to guarantee the continuity of business support by its IT systems in the event of a fatal error or system crash. There are backup systems and policies in its data centres that guarantee access to information and systems in case of a crash. The use of tape or disk backups and replicating the information in several computers with subsequent triangular distribution are habitual procedures for making incremental or complete backup copies. The current systems allow recovery of the information up to the specific time of the fatal error or system crash.

F.3.3 Internal control procedures and policies to oversee the management of outsourced activities and any aspects of valuation, calculation or measurement commissioned to independent experts, which may have a material impact on the financial statements

In general, the Ebro Group manages all activities that may have a material impact on the reliability of the financial statements directly using internal resources to avoid outsourcing. There are very few outsourced activities and the procedures and controls of those activities are regulated in the contracts signed with the service providers in question.

The valuation, calculation or measurement activities commissioned by the Ebro Group to independent experts are mainly concerned with the appraisal of properties, actuarial studies of commitments to employees and impairment testing of intangibles.

Only service providers of internationally recognised standing are used for these valuation reports, making sure that they are not affected by any circumstance or event that could compromise their independence.

The reports obtained from these firms are submitted to internal review to check that the most significant assumptions and hypotheses used are correct and that they comply with the International Valuation Standards (IVS) and International Financial Reporting Standards (IFRS). Furthermore, the valuation processes and the hypotheses and assumptions used by independent experts are reported to and considered by the external auditors of the Company and its Group.

F.4 Information and communication

Inform whether the company has at least the following, describing their main features:

F.4.1 A specific department responsible for defining the accounting policies and keeping them up to date (accounting policy department or division) and solving queries or conflicts deriving from their interpretation, maintaining fluent communication with those responsible for operations in the organisation, as well as an updated accounting policy manual distributed among the units through which the company operates.

The Ebro Group has adequate procedures and mechanisms to put the applicable criteria across to the employees involved in the preparation of financial information and the IT systems used in that preparation. This is done through the Management Control Unit and the Corporate Financial Department, whose powers include the following, among others:

● Define, administer, update and report on the Group's accounting policies, in compliance with the applicable accounting standards and rules of consolidation for the preparation and presentation of financial information to be disclosed.

● Prepare, update and report on the Accounting Policy Manual to be applied by all financial units in the Group. This manual is updated annually.

● Settle any queries or conflicts regarding the interpretation and application of the accounting policies, maintaining fluent communication with those responsible for these operations in the organisation.

● Define and create templates, formats and criteria to be used for preparing and reporting the financial information. All financial information distributed on the markets is prepared by consolidating the reports of the different business units, prepared using mechanisms for data input, preparation and presentation that are homogenous for the entire Group. These mechanisms are designed to enable compliance with the standards applicable to the principal financial statements, including accounting criteria, valuation rules and presentation formats and embrace not only the balance sheet, profit and loss account, statement of changes in equity and statement of cash flows, but also the obtaining of other information that is necessary to prepare the notes to the financial statements.

F.4.2 Mechanisms for collecting and preparing financial information with homogenous formats, applied and used by all business units in the company or group, valid for the main financial statements and notes, and the information given on the FRICS

The Group's financial information is prepared using a process of aggregating separate financial statements at source for subsequent consolidation according to the applicable accounting and consolidation standards, to obtain the consolidated financial information to be presented monthly to the Board and published periodically on the markets.

The process of aggregation and consolidation of the Group's financial statements is based on homogenous, common format templates that include different tables and reports to be completed. They also have automatic internal controls to check the integrity and reasonability of the data input.

These templates are validated each month by a financial manager in each subsidiary before sending them for checking and consolidation. To complete the automatic checks, those data and the estimation, valuation and calculation principles used to obtain them, as well as the accounts closing procedure, are checked by the financial manager at each level of aggregation and consolidation until the Ebro Group consolidated financial information is obtained, prepared and checked by the corporate financial department.

The Ebro Group has established a reporting system for the Financial Reporting Internal Control System, which is available in the Group for all the subsidiaries included within the scope of the FRICS. Through that reporting, the management of the parent coordinates maintenance of the system in the rest of the subsidiaries annually through the assignment of persons responsible for their maintenance and updating in the event of any significant change to be taken into consideration in the documentation. Finally, if any weaknesses are detected in the financial reporting internal control system, the subsidiaries are notified of the necessary action plans and they are monitored by management of the parent.

F.5 Supervision of the functioning of the system

Inform on at least the following, describing their main features:

F.5.1 The FRICS supervisory activities performed by the Audit Committee and whether the company has an internal audit department responsible, among its duties, for assisting the committee in its supervision of the internal control system, including the financial reporting internal control system (FRICS). Inform also on the scope of the FRICS appraisal made during the year and the procedure through which the department or body responsible for the appraisal informs on the outcome, whether the company has an action plan defining any possible corrective measures and whether their impact on the financial information has been considered.

The Board of Directors is ultimately responsible for the existence, maintenance and supervision of an adequate, effective financial reporting internal control system. Among the duties defined in the Regulations of the Board of Directors, the Audit and Compliance Committee assists and supports the board in its supervision of the accounting and financial information, the internal and external audit services and corporate governance.

The Audit and Compliance Committee, assisted by the Risks Committee, must see that the internal audit procedures, the internal control systems in general, including the risk management control system and, in particular, the financial reporting internal control system, are adequate. The Audit and Compliance Committee also ensures that the external auditor and manager of the Internal Audit Department are selected on the basis of objective, professional qualifications, guaranteeing their independence in the performance of their duties; reports to the board on any related party transactions submitted for its consideration; controls any possible conflicts of interest; and, in general, makes sure that all the company's information and reporting, particularly financial, complies with the principle of truth and maximum transparency for shareholders and markets.

The Risks Committee, as the central control system, monitors adequate fulfilment by the risk officers of the respective units of the following duties: (i) monitoring, updating and review of the business risks map and the different financial reporting processes; (ii) compliance with the reporting protocols for business risks and financial information; (iii) assessment of the measures for mitigating and controlling any risks detected, and (iv) assessment of the effectiveness of the systems and controls by testing processes indicated by the Risks Committee, assisted by the heads of the different units and, where necessary, external advisers. The Risks Committee, based on the policy established by the Board and supervised by and reporting to the Audit Committee, is specifically responsible for coordinating and monitoring the risks control and management system, including tax risks, and checking the Group's financial information.

Within the business risks control and FRICS, the Internal Audit Department makes sure that the testing and control of risk management and financial reporting systems have been done properly, within the internal audits carried out on different subsidiaries during the year, according to the Internal Audit Plan.

The Internal Audit Department has submitted its annual working plan to the Audit and Compliance Committee and reported directly to said committee on any incidents detected in the performance of that work, proposing the corresponding action plan defining any necessary corrective measures; and at the end of each year, it has submitted an activity report.

The results of checks made by the Internal Audit Department and any incidents detected by the Risks Committee have been reported to the Audit and Compliance Committee. Moreover, the action plan devised for remedying those incidents has been sent to both the person responsible for remedying them and the Audit and Compliance Committee.

F.5.2 Inform on whether the company has a discussion procedure whereby the auditor (according to the provisions of the auditing standards), the internal audit department and other experts can inform the senior management and audit committee or company directors of any significant weaknesses detected in internal control during the auditing or checking of the annual accounts or any other processes commissioned to them. Indicate also whether the company has an action plan to remedy or mitigate the weaknesses observed.

The Audit and Compliance Committee has a stable, professional relationship with the external auditors of the principal companies in its group, strictly respecting their independence. That relationship favours communication and discussion of any internal control weaknesses pinpointed during the auditing of annual accounts or any other audit work commissioned to them.

In this regard, the Audit and Compliance Committee receives information from the external auditor at least every six months on the audit plan and outcome of its performance, and checks that the senior management heeds the auditor's recommendations.

In addition, as established in the Regulations of the Board, it is responsible for overseeing the Internal Audit Services, examining the financial reporting process and internal control systems.

During 2017, the External Auditor and Manager of the Internal Audit Department each attended 5 meetings of the Audit and Compliance Committee.

F.6 Other significant information

N/A

F.7 External auditor's report

Inform on:

7.7.1 Whether the FRICS information sent to the markets was checked by the external auditor, in which case the company should include the corresponding report in an annex. If not, why not.

The report issued by the external auditor is appended hereto.

G EXTENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of compliance by the company with the recommendations of the Unified Good Governance Code.

If any recommendation is not followed or is only partly followed, include a detailed explanation of the reasons so that shareholders, investors and the market in general have sufficient information to assess the company's actions. General explanations are not acceptable.

1. The Articles of Association of listed companies should not limit the maximum number of votes that may be cast by an individual shareholder or impose other restrictions hampering takeover of the company via the market acquisition of its shares.

Complies [X] Explanation [ ]

2. When both the parent company and a subsidiary are listed, they should both publish a document specifying exactly:

   a) The types of activity they are respectively engaged in and any business dealings between them, and between the listed subsidiary and other group companies;

   b) The mechanisms in place to solve any conflicts of interest.

Complies [ ] Partial compliance [ ] Explanation [ ] Not applicable [X]

3. During the annual general meeting, to supplement the written distribution of the annual corporate governance report, the chairman of the board should inform the shareholders orally, in sufficient detail, of the most important aspects of the company's corporate governance, especially:

   a) Any changes made since the previous annual general meeting.

   b) The specific reasons why the company does not follow any of the recommendations of the Code of Corporate Governance and the alternative rules applied, if any.

Complies [X] Partial compliance [ ] Explanation [ ]

4. The company should define and promote a policy of communication and contacts with shareholder, institutional investors and proxy advisors that fully respects the laws against market abuse and gives similar treatment to shareholders who are in the same position.

   And the company should publish that policy on its website, including information on how it has been implemented, naming those responsible for such implementation.

Complies [X] Partial compliance [ ] Explanation [ ]

5. The board should not table a motion at the general meeting for delegating powers to issue shares or convertible securities excluding the preferential subscription right in a sum of more than 20% of the capital at the time of the delegation.

   And when the board approves an issue of shares or convertible securities excluding the preferential subscription right, the company should immediately publish on its website the reports on that exclusion required by commercial law.

Complies [X] Partial compliance [ ] Explanation [ ]

6. Listed companies that prepare the following reports, whether mandatory or voluntary, should publish them on their websites sufficiently in advance of the annual general meeting even though that publication is not compulsory:

   a) Report on the independence of the auditor.

   b) Reports on the functioning of the audit committee and the nomination and remuneration committee.

   c) Report by the audit committee on related party transactions.

   d) Report on the corporate social responsibility policy.

Complies	[ ]	Partial compliance	[X]	Explanation	[ ]

All the sections of this Recommendation are met, except c).

Although the Audit and Compliance Committee checks that all the related party transactions with significant shareholders, Directors and other related parties have been made at market prices and on arm's length terms and issues a favourable report to the Board, after studying this Recommendation the Company does not consider it convenient to publish the contents of that report because it contains sensitive commercial information that is confidential for the Group in respect of its rivals.

7. The company should broadcast general meetings live, through its website.

Complies	[ ]	Explanation	[X]

General Meetings of shareholders of Ebro Foods S.A. are not broadcast live through the corporate website owing to the size and capitalisation of the Company.

Furthermore, considering the little use made of the technical means intended to increase shareholders' participation at general meetings (such as the shareholders' forum or electronic voting and proxies) and the ample quorum at general meetings (77.4538% at the last AGM held on 1 June 2017), the Company considers it unnecessary at present to invest economic resources in the live broadcasting of general meetings.

All information on what happens at the general meeting is subsequently published in Spanish and English on the corporate website, where it is fully available, downloadable and easy to access, with no limitations or restrictions of any nature.

The Company has studied this Recommendation and for the time being does not contemplate live broadcasting of the AGM to be held in 2018, considering that its general meetings comply with the principles of transparency and adequate information recommended by the Code of Good Governance.

8. The audit committee should make sure that the board endeavours to avoid a qualified auditor's report on the accounts laid before the general meeting, and in exceptional circumstances when such qualifications exist, both the chairman of the audit committee and the auditors shall clearly explain to the shareholders their content and scope.

Complies	[X]	Partial compliance	[ ]	Explanation	[ ]

9. The company should publish permanently on its website the requirements and procedures it will accept as proof of ownership of shares, right to attend the general meeting and exercise or delegation of shareholders' voting right.

   And those requirements and procedures should favour the attendance and exercise by shareholders of their rights, not being in any way discriminatory.

Complies	[X]	Partial compliance	[ ]	Explanation	[ ]

10. If a legitimate shareholder has exercised their right, prior to the general meeting, to supplement the agenda or submit new proposed resolutions, the company should:

    a) Immediately distribute those supplementary items and new proposed resolutions.

    b) Publish the model attendance card or proxy form or postal/electronic voting form with the necessary modifications to enable voting on the new items on the agenda and alternative proposed resolutions on the same terms as those proposed by the board of directors.

    c) Put all these items or alternative proposals to the vote and apply the same voting rules as those applicable to the proposals by the board, including in particular the presumptions or deductions regarding votes.

    d) After the general meeting, report the details of the voting on those supplementary items or alternative proposals.

Complies	[ ]	Partial compliance	[ ]	Explanation	[ ]	Not applicable	[X]

11. If the company plans to pay attendance fees for general meetings, it should establish in advance a general policy on those fees and that policy should be stable.

Complies	X	Partial compliance		Explanation		Not applicable	

12. The board should perform its duties with unity of purpose and independence of judgement, give the same treatment to all shareholders in the same position and be guided by the company's interests, namely the achievement of a profitable business sustainable in the long term, promote its continuity and maximise the economic value of the company.

And in its search for the company's interests, apart from respecting the laws and regulations and acting in good faith, ethically and with respect for generally accepted use and good practice, endeavour to reconcile the corporate interests with the legitimate interests of its employees, suppliers, customers and other stakeholders that may be affected, as the case may be, and the impact of the company's activities on the surrounding community and environment.

Complies	X	Partial compliance		Explanation	

13. The Board should have the necessary size to operate effectively, with participation. The recommended size is, therefore, between five and fifteen members.

Complies	X	Explanation	

14. The board should approve a policy for selecting directors which:

a) Is specific and verifiable.

b) Ensures that nominations or proposals for re-election are based on a prior analysis of the board's needs.

c) Favours the diversity of expertise, experience and gender.

The results of the prior analysis of the board's needs should be set out in the report by the nomination committee published when calling the general meeting at which the ratification, appointment or re-election of each director is proposed.

And the policy for selecting directors should promote the target that the number of female directors on the board should be equivalent to at least 30% of the total members of the board by 2020.

The nomination committee shall check compliance with the policy for selecting directors annually and inform on that check in the annual corporate governance report.

Complies	X	Partial compliance		Explanation	

15. The proprietary and independent directors represent an ample majority of the board and the number of executive directors is the minimum necessary, taking account of the complexity of the corporate group and the percentage stake held by the executive directors in the company's capital.

Complies	X	Partial compliance		Explanation	

16. The ratio of proprietary directors to total non-executive directors should not be greater than the ratio of capital represented by those directors to the rest of the capital.

This may be eased:

a) In companies with a high capitalisation, in which shareholdings legally considered significant are scarce.

b) In companies with a plurality of unrelated shareholders represented on the board.

Complies	X	Explanation	

17. The number of independent directors should represent at least one-half of the total directors.

This notwithstanding, if the company does not have a large capitalisation or if it has a high level of capitalisation but has one shareholder, or several acting in concert, that controls more than 30% of the capital, the number of independent directors should represent at least one-third of the total directors.

Complies [X] Explanation [ ]

18. Companies should publish on their websites and keep up to date the following information on their directors:

a) Professional and biographic profile.

b) Other directorships held, in listed or unlisted companies, and other remunerated activities performed, of whatsoever nature.

c) Indication of the category of director, indicating for proprietary directors the shareholder they represent or with which they are related.

d) Date of first appointment as director of the company and subsequent re-elections.

e) Shares and stock options held in the company.

Complies [ ] Partial compliance [X] Explanation [ ]

Although there is no specific section on the corporate website containing the information contemplated in paragraph b), the information on the Directors of Ebro Foods, S.A., including directorships held in listed companies and positions and activities performed, remunerated or otherwise, in companies engaged in similar or identical activities as Ebro Foods, is set out in the annual accounts and corporate governance report each year published in the corresponding sections of the website.

After studying this Recommendation, the Company considers that it informs on the directorships held in listed companies and positions and activities performed, remunerated or otherwise, in companies engaged in similar or identical activities as Ebro Foods, S.A. in sufficient detail to comply with the transparency in reporting sought by the Code of Good Governance.

19. Once checked by the nomination committee, the annual corporate governance report should include an explanation of the reasons why proprietary directors have been appointed at the request of shareholders with an interest of less than 3% in the capital, as well as the reasons, if appropriate, for not meeting formal requests for presence on the board from shareholders with an interest equal or greater than others at whose request proprietary directors have been appointed.

Complies [ ] Partial compliance [ ] Explanation [ ] Not applicable [X]

20. Proprietary directors should resign when the shareholder they represent disposes of its entire shareholding in the company. They should also resign in the corresponding number when the shareholder disposes of part of its shares to an extent requiring a reduction in the number of proprietary directors.

Complies [ ] Partial compliance [ ] Explanation [ ] Not applicable [X]

21. The Board should not propose the removal of any independent director before the end of the period for which they were appointed, unless there are just grounds for doing so, as appreciated by the Board subject to a report by the Nomination Committee. In particular, just grounds are deemed to exist when the director takes up new positions or contracts new obligations preventing them from dedicating the necessary time to performance of their duties on the board, or if they breach their duties or fall into any of the circumstances by virtue of which they would no longer be considered independent, according to the applicable legal provisions.

The removal of independent directors may also be proposed following takeover bids, mergers or other similar corporate operations entailing a change in the ownership structure of the company, when changes in the structure of the board are required by the principle of proportionality contemplated in Recommendation 16.

Complies [X] Explanation [ ]

22. Companies should establish rules obliging directors to report and, if necessary, resign in any cases that may jeopardise the company's credit and reputation. In particular, directors should be obliged to inform the Board of any criminal proceedings brought against them and the subsequent development of the proceedings.

If a director is prosecuted or tried for any of the offences contemplated in company law, the Board should study the case as soon as possible and, in view of the specific circumstances, decide whether or not the director should remain in office. A reasoned account should be included in the Annual Corporate Governance Report.

Complies [X] Partial compliance [ ] Explanation [ ]

23. All the directors should clearly express their opposition whenever they consider that any proposed decision submitted to the Board may go against corporate interests. The independent and other directors not affected by the potential conflict of interest should also do so when the decisions may be detrimental to shareholders not represented on the Board.

And when the Board adopts significant or reiterated decisions about which a director has expressed serious reservations, the latter should reach the appropriate conclusions and, if they opt to resign, explain the reasons in the letter contemplated in the following recommendation.

This recommendation also affects the Secretary of the Board, even if he or she is not a director.

Complies	X	Partial compliance		Explanation		Not applicable	

24. If a director resigns or retires from office on whatsoever grounds before the end of his or her term of office, they should explain the reasons in a letter sent to all the Board members. Regardless of whether the retirement is announced as a regulatory disclosure, the reason shall be indicated in the Annual Corporate Governance Report.

Complies		Partial compliance	X	Explanation		Not applicable	

The company partially complies with this recommendation because Dr August Oetker explained the personal and professional reasons for stepping down as director in writing to the chairman and orally to all the directors after the AGM held on 1 June 2017.

Since all the directors were duly informed of the reasons for Dr August Oetker's resignation, the company considers that it has complied with the principles of the Code of Good Governance applicable in respect of the retirement of directors and that the form used by Dr Oetker to explain his reasons for resigning (written or oral) is not significant in this case.

25. The nomination committee should make sure that non-executive directors have sufficiently availability to perform their duties correctly.

And the regulations of the board should stipulate the maximum number of directorships that may be held by its directors.

Complies		Partial compliance	X	Explanation	

Although the Regulations of the Board of Directors do not stipulate a maximum number of directorships that may be held by the Directors of Ebro Foods, S.A., it does impose on the Directors the obligation to dedicate to the Company such attention and time as may be necessary to guarantee the effective and adequate fulfilment of each and all of the duties corresponding to their position. Consequently, the maximum number of other directorships they may hold will be such as to ensure that they are able at all times to meet each and all of their obligations to the company (Article 32 of the Regulations of the Board, "General duties of Directors").

After studying this Recommendation, the Company considers that the principles pursued by the Code of Good Governance in this respect are met with the obligation regarding dedication imposed in Article 32 of the Regulations of the Board.

26. The Board should meet as often as may be necessary to secure efficient performance of its duties, following the calendar and business established at the beginning of the year, although any director may individually propose other items not initially contemplated to be included on the agenda.

Complies	X	Partial compliance		Explanation	

27. Non-attendance of Board meetings should be limited to inevitable cases and stated in the Annual Corporate Governance Report. If a director is forced to miss a Board meeting, a proxy should be granted with the appropriate instructions.

Complies	X	Partial compliance		Explanation	

28. When the Directors or the Secretary express concern over a proposal, or, in the case of Directors, the company's performance, and those concerns are not settled by the board, they should be put on record, at the request of those expressing them.

Complies	X	Partial compliance		Explanation		Not applicable	

29. The company should establish adequate channels for directors to obtain any counselling they may need to perform their duties, including, should circumstances so require, external counselling at the company's expense.

Complies	X	Partial compliance		Explanation	

30. Regardless of the expertise required of directors to perform their duties, companies should also offer their directors refresher courses in the appropriate circumstances.

Complies [X] Explanation [ ] Not applicable [ ]

31. The agenda for meetings should clearly indicate the items on which the board is called upon to adopt a decision or resolution, so that the directors can study or obtain in advance the information they may need.

In exceptional cases, for reasons of urgency, the chairman may submit decisions or resolutions not included on the agenda for approval by the board, the prior, express consent of most of the directors present will be necessary, putting this on record in the minutes.

Complies [X] Partial compliance [ ] Explanation [ ]

32. Directors shall be regularly informed on any changes in the ownership of the company and the opinion held by the significant shareholders, investors and ratings agencies of the company and its group.

Complies [X] Partial compliance [ ] Explanation [ ]

33. Being responsible for the efficient functioning of the board of directors, apart from performing the duties assigned by law and in the articles of association, the chairman should prepare and submit to the board a schedule of dates and business to be transacted; organise and coordinate the periodical assessment of the board and chief executive, if any, of the company; be responsible for managing the board and for its efficient operation; make sure sufficient time is allotted to the discussion of strategic issues; and resolve and review the refresher programmes for each director whenever circumstances so require.

Complies [X] Partial compliance [ ] Explanation [ ]

34. When there is a lead independent director, the articles of association or regulations of the board should assign the following powers, apart from those corresponding to them by law: preside over board meetings in the absence of the chairman and vice-chairmen, if any; echo the concerns of non-executive directors; hold contacts with investors and shareholders to find out their points of view and form an opinion on their concerns, particularly regarding the corporate governance of the company; and coordinate the plan for succession of the chairman.

Complies [ ] Partial compliance [ ] Explanation [X] Not applicable [ ]

Although the Articles of Association and Regulations of the Board of Directors do not expressly assign to the lead independent Director the powers contemplated in this Recommendation, said Director is entirely free to exercise them.

The Articles of Association and Regulations of the Board do not establish any limit on the exercise of those powers by the lead independent Director or any other Director.

After studying this Recommendation, the Company considers that since any Director, not only the lead independent Director, may exercise the powers contemplated in this Recommendation, and since the Chairman is the only one who has executive duties, this is sufficient to avoid any concentration of powers in the executive Chairman, as sought by the Code of Good Governance.

35. The secretary of the board should especially ensure that the actions and decisions of the board follow the recommendations on good governance contained in the Code of Good Governance that are applicable to the company.

Complies [X] Explanation [ ]

36. The full Board should assess once a year and, where necessary, adopt an action plan to correct any deficiencies detected in respect of:

a) The quality and effectiveness of the Board's actions.

b) The functioning and composition of its committees.

c) Diversity in the composition and powers of the Board.

d) The performance by the Chairman of the Board and Chief Executive Officer of their respective duties;

e) The performance and contribution of each director, paying special attention to the heads of the different board committees.

The different committees should be assessed based on the reports they submit to the Board and the Board will be assessed on the basis of the report it submits to the Nomination Committee.

Every three years, the Board will be assisted in this assessment by an external consultant, whose independence shall be checked by the Nomination Committee.

The business relations that the consultant or any company in its group has with the company or any company in its group should be described in the Annual Corporate Governance Report.

The process and areas assessed should also be described in the Annual Corporate Governance Report.

Complies [X] Partial compliance [ ] Explanation [ ]

37. When there is an Executive Committee, the balance between the different types of director should roughly mirror that of the Board and its secretary should be the Secretary of the Board.

Complies [ ] Partial compliance [X] Explanation [ ] Not applicable [ ]

The Secretary of the Board is also secretary of the Executive Committee.

The Company partially complies with this Recommendation because following the death on 16 February 2017 of an independent Director who was on the Executive Committee, this Committee has one executive Director (the Chairman of the Board, who also chairs this Committee) and two proprietary Directors.

The Company is aware of this situation and is studying the best way to include an independent Director in this Committee.

38. The Board should be informed at all times of the business transacted and decisions made by the Executive Committee and all Board members should receive a copy of the minutes of Executive Committee meetings.

Complies [X] Explanation [ ] Not applicable [ ]

39. The members of the Audit Committee, especially its chairman, should be appointed on account of their expertise and experience in accounting, auditing or risk management, and most of those members should be independent directors.

Complies [X] Partial compliance [ ] Explanation [ ]

40. Under the supervision of the Audit Committee, there should be an internal audit unit to see that the internal control and reporting systems work properly. This unit should report to the non-executive chairman of the Board or the chairman of the Audit Committee.

Complies [X] Partial compliance [ ] Explanation [ ]

41. The head of the internal audit unit should submit its annual work programme to the Audit Committee, report directly any incidents that may arise during its fulfilment and submit an activity report at the end of each year

Complies [X] Partial compliance [ ] Explanation [ ] Not applicable [ ]

42. In addition to those contemplated in law, the Audit Committee should have the following duties:

1. In connection with the internal control and reporting systems:

   a) Supervise the preparation and integrity of the company's, and where appropriate the group's, financial reporting, checking compliance with the legal requirements, adequate definition of the scope of consolidation and correct application of accounting principles.

   b) Oversee the independence and efficacy of the internal audit department; propose the nomination, appointment, re-appointment and removal of the chief audit officer; propose the budget for this department; approve its approach and working plans, making sure its activity focuses mainly on the material risks of the company; receive regular information on its activities; and check that the top management heeds the conclusions and recommendations set out in its reports.

c) Establish and supervise a “whistle-blowing” procedure so employees can confidentially and, where appropriate, even anonymously report any potentially important irregularities they observe within the company, particularly in financial and accounting aspects.

2. In connection with the external auditors:

a) Investigate the circumstances giving rise to resignation of any external auditor.

b) Ensure that the remuneration of the external auditors for their work does not jeopardise their quality or independence.

c) See that the company reports the change of auditor to the CNMV in a regulatory disclosure, attaching a declaration on the possible existence of disagreements with the outgoing auditor and the contents of those disagreements, if any.

d) Make sure that the external auditors hold an annual meeting with the full board to inform on the work done and the evolution of the company’s risks and accounting situation.

e) Ensure that the company and external auditors respect the provisions in place on the provision of services other than auditing, limits on the concentration of the auditor’s business and, in general, any other provisions regarding the independence of auditors.

Complies	X	Partial compliance		Explanation	

43. The Audit Committee may call any employee or executive of the company into its meetings, even ordering their appearance without the presence of any other senior officer.

Complies	X	Partial compliance		Explanation	

44. The Audit Committee should be informed on any corporate and structural operations that the company plans to make, so that it can analyse them and submit a preliminary report to the board on the economic terms and impact on accounts, and particularly on the exchange ratio proposed, if any.

Complies		Partial compliance		Explanation		Not applicable	X

45. The risk control and management policy should identify at least:

a) The different types of risk, financial and non-financial (including operational, technological, legal, social, environmental, political and reputational) to which the company is exposed, including contingent liabilities and other off-balance-sheet risks among the financial or economic risks.

b) The risk level that the company considers acceptable.

c) The measures contemplated to mitigate the impact of the risks identified, should they materialise.

d) The internal control and reporting systems to be used to control and manage those risks, including contingent liabilities and other off-balance-sheet risks.

Complies	X	Partial compliance		Explanation	

46. Under the direct supervision of the audit committee or, as the case may be, an ad hoc committee of the board, there should be an internal risk control and management role exercised by an internal unit or department of the company expressly having the following duties:

a) See that the risk control and management systems work properly and, in particular, that all the major risks affecting the company are adequately identified, managed and quantified.

b) Participate actively in the preparation of the risk strategy and in the major decisions on their management.

c) See that the risk control and management systems adequately mitigate the risks within the policy defined by the board.

Complies	X	Partial compliance		Explanation	

47. Companies should ensure that the members of the Nomination and Remuneration Committee -or the Nomination Committee and the Remuneration Committee, if they are separate- have adequate experience, skills and expertise for the duties they are to perform and that most of those members are independent directors.

Complies ☐ Partial compliance ☒ Explanation ☐

All the members of the Nomination and Remuneration Committee have adequate experience, skills and expertise for their duties.

The Nomination and Remuneration Committee of the Company has four members, two of whom are proprietary Directors and the other two are independent, including the Chairman of the Committee.

Although the Company considers that the present composition of the Nomination and Remuneration Committee complies with the principles of the Code of Good Governance in this respect, it will bear this Recommendation in mind if it fills the vacancy currently existing on the Board of Directors.

48. Companies with a high level of capitalisation should have a separate nomination committee and remuneration committee.

Complies ☐ Explanation ☐ Not applicable ☒

49. The nomination committee should consult the chairman of the board and the chief executive of the company, especially on matters referring to the executive directors.

And any director should be able to request the nomination committee to consider potential candidates to fill vacancies on the board, in case they were suitable in the committee's opinion.

Complies ☒ Partial compliance ☐ Explanation ☐

50. The remuneration committee should perform its duties independently, having the following duties in addition to those assigned to it by law:

a) Propose to the board the basic terms of contract of the senior executives.

b) See that the remuneration policy established by the company is observed.

c) Periodically review the remuneration policy applied to directors and senior executives, including the systems of payment with shares and their application, and ensure that their individual remuneration is in proportion to that paid to other directors and senior executives of the company.

d) Ensure that any conflicts of interest that may arise do not jeopardise the independence of the external counselling provided to the committee.

e) Check the information on the remuneration of directors and senior executives in the different corporate documents, including the annual report on directors' remuneration.

Complies ☒ Partial compliance ☐ Explanation ☐

51. The remuneration committee should consult the chairman of the board and the chief executive of the company, especially on matters referring to the executive directors and senior executives.

Complies ☒ Partial compliance ☐ Explanation ☐

52. The rules of composition and procedure of the supervision and control committees should be included in the regulations of the board and be coherent with those applicable to the committees required by law according to the foregoing recommendations, including the following:

a) The members should be exclusively non-executive directors, most of them independent directors.

b) They should be chaired by independent directors.

c) The board should appoint the members of these committees on account of the expertise, skills and experience of the directors and the duties of each committee; and the committees should discuss its proposals and reports; and report on its activities at the first board meeting following their meetings, answering for the work done.

d) The committees should be able to obtain external counselling whenever they may consider it necessary to perform their duties.

e) Minutes should be issued of their meetings and made available to all directors.

Complies		Partial compliance		Explanation		Not applicable	X

53. The supervision of compliance with the rules of corporate governance, internal codes of conduct and corporate social responsibility policy should be assigned to one or distributed among several committees of the board, which may be the audit committee, the nomination committee, the corporate social responsibility committee, if any, or an ad hoc committee that the board, exercising its powers of self-organisation, may decide to set up. These committees should specifically have the following minimum duties:

    a) Oversight of compliance with the internal codes of conduct and the company's corporate governance rules.

    b) Supervision of the strategy of communication and relations with investors and shareholders, including small and medium-sized shareholders.

    c) Periodical assessment of the adequacy of the company's corporate governance system to ensure that it fulfils its mission of promoting corporate interests and takes account of the legitimate interests of the other stakeholders, where appropriate.

    d) Review of the company's corporate responsibility policy, making sure that it is geared towards creating value.

    e) Monitoring of the corporate social responsibility strategy and practices and assessment of the degree of compliance.

    f) Supervision and assessment of the processes of relations with different stakeholders.

    g) Assessment of everything related with non-financial risks in the company, including operational, technological, legal, social, environmental, political and reputational risks.

    h) Coordination of the reporting process for non-financial information and diversity, complying with the applicable legal provisions and international benchmark standards.

Complies	X	Partial compliance		Explanation	

54. The corporate social responsibility policy should include the principles or commitments that the company voluntarily undertakes in its relationships with the different stakeholders and define at least the following:

    a) The corporate social responsibility goals and the development of supporting instruments.

    b) The corporate strategy related with sustainability, the environment and social issues.

    c) Specific practices in matters related with shareholders, employees, customers, suppliers, social issues, environment, diversity, tax responsibility, respect for human rights and prevention of unlawful conduct.

    d) The methods or systems for monitoring the results of applying the specific practices contemplated in the preceding paragraph, the associated risks and management thereof.

    e) The mechanisms for supervising non-financial risks, ethics and business conduct.

    f) The communication channels, participation and dialogue with stakeholders.

    g) Responsible communication practices to avoid manipulation of information and protect integrity and honour.

Complies	X	Partial compliance		Explanation	

55. The company should inform, in a separate document or in the directors' report, on matters related with corporate social responsibility, using one of the internationally accepted methodologies.

Complies	X	Partial compliance		Explanation	

56. The remuneration of directors should be high enough to attract and retain directors with the desired profiles and remunerate the dedication, qualification and responsibility required by their office, but should not so high as to jeopardise the independence of non-executive directors.

Complies	X	Explanation	

57. Variable remuneration linked to the company's yield and personal performance and the remuneration paid in shares, stock options, rights over shares or instruments indexed to the value of the share, and long-term savings systems such as pension plans, retirement schemes or other welfare systems, should be limited to executive directors.

The delivery of shares as remuneration to non-executive directors may be contemplated when it is conditional upon holding those shares until they retire from the board. This will not be applicable to any shares that the director may need to sell to pay the costs incurred in their acquisition.

Complies	X	Partial compliance		Explanation	

58. For variable remunerations, the remuneration policies should establish the limits and technical precautions required to make sure those remunerations are linked to the professional performance of their beneficiaries and do not merely derive from general trends on the markets or in the company's sector of business or other similar circumstances.

In particular, the variable components of the remuneration should:

a) Be linked to predetermined, measurable yield criteria, which consider the risk assumed to obtain a result.

b) Promote the company's sustainability and include non-financial criteria that are adequate for the creation of long-term value, such as compliance with the internal rules and procedures of the company and its policies for the control and management of risks.

c) Be based on a balance between meeting short, medium and long-term goals, permitting the remuneration of yield achieved through continuous performance over a sufficient period of time to appreciate their contribution to the sustainable creation of value, such that the elements for measuring that yield are not related only with one-off, occasional or extraordinary events.

Complies	X	Partial compliance		Explanation		Not applicable	

59. The payment of a significant part of the variable components of remuneration should be deferred for a minimum time that is sufficient to check that the yield conditions established above have actually been met:

Complies	X	Partial compliance		Explanation		Not applicable	

60. Earnings-linked remuneration should take account of any qualifications made in the report by the external auditors that may reduce those earnings.

Complies		Partial compliance		Explanation		Not applicable	X

61. A significant percentage of the variable remuneration of executive directors should be linked to the delivery of shares or financial instruments indexed to their value.

Complies		Partial compliance		Explanation	X	Not applicable	

Of the two executive Directors, only the Chairman of the Board of Directors, Antonio Hernández Callejas, receives remuneration for his executive duties. Hercalianz Investing Group, S.L. does not receive any such remuneration, for the reasons explained elsewhere in this Report.

The current variable remuneration systems of the executive Director are described in the Annual Report on Directors' Remuneration 2017 and are linked to the achievement of pre-established measurable, quantifiable objectives related with personal performance and other factors that promote the Company's and Group's long-term sustainability and profitability.

Although Article 22 of the Articles of Association contemplates the possibility that directors may receive remuneration in the form of shares, stock options or any other system of remuneration indexed to the price of the shares, the Board of Directors has not so far submitted this form of remuneration to approval by the General Meeting, considering that the systems of variable remuneration of the executive Director currently used are most appropriate for stimulating his motivation and personal performance, and his commitment to and relationship with the Group's interests.

After studying this Recommendation, the Company considers that the current system for remuneration of the only executive Director who receives remuneration for his executive duties (the Chairman) is adequate for his professional talent and profile, and his relationship with the significant shareholder Hercalianz Investing Group, S.L. (see section C.1.17 and explanatory Note six of section H of this Report on the executive Chairman's relationship with Hercalianz Investing Group, S.L.). The Company also considers that this system incorporates the necessary mechanisms to avoid excessive exposure to risks and reward for unfavourable results, as recommended by the Code of Good Governance.

62. Once the shares, stock options or rights over shares corresponding to the remuneration systems have been distributed, the directors may not transfer the ownership of a number of shares equivalent to twice their annual fixed remuneration or exercise the stock options or rights until at least three years after being allotted those shares, options or rights.

This will not be applicable to any shares that the director may need to sell to pay the costs incurred in their acquisition.

Complies		Partial compliance		Explanation		Not applicable	X

63. Contracts should include a clawback clause whereby the company may to claim repayment of the variable components of remuneration when the amounts paid do not correspond to fulfilment of the conditions regarding yield or when paid on the basis of data subsequently proved to be misstated.

Complies	X	Partial compliance		Explanation		Not applicable	

64. Termination benefits should not exceed a specified amount equivalent to two years' total annual remuneration and should not be paid until the company has confirmed that the director has met the performance requirements established above.

Complies		Partial compliance		Explanation		Not applicable	X

H OTHER INFORMATION OF INTEREST

1. If you consider there to be any important aspects regarding the corporate governance practices applied by your company or other companies in the group that have not been mentioned in this report, but which should be included to obtain more complete, reasoned information on the corporate governance practices and structure in the company or group, describe them below and give a brief explanation.

2. This section may be used to include any other information, clarification or qualification relating to the previous sections of the report, provided it is relevant and not repetitive.

   In particular, state whether the company is subject to any laws other than the laws of Spain on corporate governance and, if this is the case, include whatever information the company may be obliged to supply that differs from the information included in this report.

3. The company may also state whether it has voluntarily applied any international, sector-based or other codes of ethical principles or good practices. If so, it should name the code in question and the date of its accession.

EXPLANATORY NOTE ONE, CONCERNING THE CHANGES ON THE BOARD, THE CURRENT COMPOSITION OF THE BOARD AND THE CLASSIFICATION OF DIRECTORS

A) CHANGES ON THE BOARD

In addition to the retirement of two directors as reported in section C.1.2 of this report, the following changes occurred in the board during 2017:

● At the Board of Directors meeting held on 29 March 2017, after a favourable assessment by the Nomination and Remuneration Committee, Javier Gómez-Trenor Vergés was incorporated as the new representative on the Board of the corporate Director Empresas Comerciales e Industriales Valencianas, S.L., taking over from Juan Luis Gómez-Trenor Fos, who passed away in January 2017.

● At the same meeting and upon proposal by the Nomination and Remuneration Committee, the independent irector José Ignacio Comenge Sánchez-Real was appointed Lead Independent Director to take the place of José Antonio Segurado García, who passed away in February 2017.

● On 28 June 2017, in view of the reports by the Nomination and Remuneration Committee and the Board of Directors, the significant shareholder Corporación Económica Delta, S.A. (represented by María Carceller Arce) was appointed proprietary Director by cooptation, to fill the vacancy produced by the resignation as of 1 June 2017 of the proprietary Director Dr. August Oetker.

The following changes have occurred within the Board of Directors between 31 December 2017 and the date of issuance of this Report:

● Javier Fernández Alonso tendered his resignation as Director and member of the Executive Committee and the Strategy and Investment Committee on 31 January 2018. Mr. Fernández Alonso was classified as a proprietary Director by virtue of having been nominated upon proposal by the significant shareholder Corporación Financiera Alba, S.A.

● At the Board of Directors meeting held on the same date, 31 January 2018, in view of the reports by the Nomination and Remuneration Committee and the Board of Directors, Corporación Financiera Alba, S.A. (represented by Javier Fernández Alonso) was appointed proprietary Director by cooptation, to fill the vacancy produced by the resignation of Mr Fernández Alonso. Corporación Financiera Alba, S.A. was also appointed member of the Executive Committee and the Strategy and Investment Committee.

● On 21 March 2018 (date of issuance of this Report), Corporación Económica Delta, S.A. (represented by María Carceller Arce) stepped down as proprietary Director, being so classified by virtue of its status as significant shareholder.

● On the same date, 21 March 2018, in view of the reports by the Nomination and Remuneration Committee and the Board of Directors, the Board resolved to appoint María Carceller Arce proprietary Director by cooptation in order to fill the vacancy produced by that resignation.

B) PRESENT COMPOSITION OF THE BOARD

Following the changes indicated in A) above, the composition of the board at the date of this report is as follows:

- Antonio Hernández Callejas, Chairman. Executive Director

- Demetrio Carceller Arce, Vice-Chairman. Proprietary Director upon proposal by the significant shareholder Corporación Económica Delta, S.A.

- Alimentos y Aceites, S.A., represented by Concepción Ordiz Fuertes. Proprietary Director by virtue of its status as significant shareholder

- Belén Barreiro Pérez-Pardo. Independent Director

- Fernando Castelló Clemente. Independent Director

- José Ignacio Comenge Sánchez-Real. Lead independent Director

- Mercedes Costa García. IndependentDdirector

- Empresas Comerciales e Industriales Valencianas, S.L.U., represented by Javier Gómez-Trenor Vergés. Proprietary Director by virtue of its status as significant shareholder

- Grupo Tradifín, S.L.U., represented by Blanca Hernández Rodríguez. Proprietary Director by virtue of its status as significant shareholder

- Hercalianz Investing Group, S.L.U., represented by Félix Hernández Callejas. Executive Director. Director by virtue of its status as significant shareholder. See section C) of this explanatory Note for the reasons for its classification as executive.

- Corporación Financiera Alba, S.A., represented by Javier Fernández Alonso. Proprietary Director by virtue of its status as significant shareholder

- María Carceller Arce. Proprietary Director upon proposal by the significant shareholder Corporación Económica Delta, S.A.

The vacancy caused by the death of José Antonio Segurado García on 16 February 2017 has not yet been filled at the date of this Report.

C) CLASSIFICATION OF THE DIRECTOR HERCALIANZ INVESTING GROUP, S.L.

The following is put on record regarding the classification of Hercalianz Investing Group, S.L. as executive Director:

(i) It does not perform executive or management duties in Ebro Foods, S.A. or any subsidiary of the Group and, therefore, receives no remuneration for such duties.

(ii) It is classified as an executive Director because its individual representative on the Board of Directors of Ebro Foods, S.A. is an executive of one of the Group's subsidiaries.

(iii) It holds the position of director because it is a significant shareholder of the Company, with a total direct and indirect interest of 7.961%. Hercalianz Investing Group, S.L. would continue to be a Director of Ebro Foods, S.A. during such time as it continues to be a significant shareholder, regardless of who its personal representative is and the executive position that said representative may hold within the Group.

EXPLANATORY NOTE TWO, ON SECTION A.5

Relationships between the companies of the Ebro Foods Group and the significant shareholders, excluding those who are Directors, are explained in section A.5.

See sections D.2 and D.3 of this Report.

EXPLANATORY NOTE THREE, ON SECTION C.1.12

José Ignacio Comenge Sánchez-Real is on the Board of Ence Energía y Celulosa, S.A., as representative of the corporate director Mendibea 2002, S.L.

EXPLANATORY NOTE FOUR, ON SECTION C.1.15

The directors' remunerations indicated in section C.1.15 include attendance fees received by the Chairman of the Board of Ebro Foods, S.A., Antonio Hernández Callejas, as Director of Pastificio Lucio Garofalo, S.p.A. (a company in the Ebro Group), totalling 5,000 euros and paid by that company.

In addition, the Chairman of the Board of Directors received 5,200 euros from Riso Scotti, S.p.A. (associate company, in which Ebro Foods, S.A. holds a 40% interest) in attendance fees as Director of that company.

EXPLANATORY NOTE FIVE, ON SECTION C.1.16

All the company executives of Ebro Foods, S.A. are included in section C.1.16.

For this purpose, the heads of the principal departments of Ebro Foods, S.A. are considered "executives" even if they do not have a senior management employment relationship with the company. This is the case of the Chief Operating Officer (COO) of the Ebro Group.

EXPLANATORY NOTE SIX, ON SECTION C.1.17

- Grupo Tradifín, S.L. and Hercalianz Investing Group, S.L. are Directors and significant shareholders of Ebro Foods, S.A. with an interest of 7.961% each.

- Antonio Hernández Callejas has a direct interest of 33.333% in Hercalianz Investing Group, S.L. and, therefore, an indirect interest in Ebro Foods, S.A. through the 7.961% direct interest held by Hercalianz Investing Group, S.L. in Ebro Foods, S.A.

- Félix Hernández Callejas, representative of Hercalianz Investing Group, S.L. on the Board of Directors of Ebro Foods, S.A., has a direct interest of 33.333% in Hercalianz Investing Group, S.L. and, therefore, an indirect interest in Ebro Foods, S.A. through the 7.961% direct interest held by Hercalianz Investing Group, S.L. in Ebro Foods, S.A. Félix Hernández Callejas is joint and several Director of that company.

- Blanca Hernández Rodríguez, representative of Grupo Tradifín, S.L. on the Board of Directors of Ebro Foods, S.A., has a direct interest of 33.25% in Grupo Tradifín, S.L. and, therefore, an indirect interest in Ebro Foods, S.A. through the 7.961% direct interest held by Grupo Tradifín, S.L. in Ebro Foods, S.A. Blanca Hernández Rodríguez is Managing Director of that company.

- Demetrio Carceller Arce has a direct interest of 0.823% in Sociedad Anónima Damm and an indirect interest in Ebro Foods, S.A. through the 11.507% indirect interest held by that company in Ebro Foods, S.A. through Corporación Económica Delta, S.A.

- Javier Gómez-Trenor Vergés, representative of Empresas Comerciales e Industriales Valencianas, S.L. on the board of directors of Ebro Foods, S.A., has a direct interest of 16.63% in Empresas Comerciales e Industriales Valencianas, S.L. and, therefore, an indirect interest in Ebro Foods, S.A. through the 7.827% direct interest held by that company in Ebro Foods, S.A. Javier Gómez-Trenor Vergés is Chairman of the Board of Empresas Comerciales e Industriales Valencianas, S.L.

María Carceller Arche, director since 21 March 2018, has a direct interest of 0.04% in Sociedad Anónima Damm and an indirect interest in Ebro Foods, S.A. through the 11.507% indirect interest held by that company in Ebro Foods, S.A. through Corporación Económica Delta, S.A. She also has a direct interest of 0.003% in Ebro Foods, S.A.

EXPLANATORY NOTE SEVEN, ON SECTION C.2.1

A. The name of the audit committee in the company is "Audit and Compliance Committee" and the name of the nomination and remuneration committee is "Nomination and Remuneration Committee".

B. Grupo Tradifín, S.L. was appointed member of the Audit and Compliance Committee on account of the expertise and experience in accounting and auditing of its representative, Blanca Hernández Rodríguez.

C. The changes in the Board indicated in explanatory Note one of this section H have only affected the composition of the Executive Committee and the Strategy and Investment Committee, in which Javier Fernández Alonso was replaced as of 31 January 2018 by the proprietary Director Corporación Financiera Alba, S.A., represented by Mr Fernández Alonso. Corporación Financiera Alba, S.A. is a member of both Committees.

EXPLANATORY NOTE EIGHT, ON SECTION D.3

With regard to the related party transactions with directors and executives listed in section D.3 of this Report, we inform as follows:

● The Directors Grupo Tradifín, S.L. and Hercalianz Investing Group, S.L. each own 50% of Instituto Hispánico del Arroz, S.A., with which the Ebro Group habitually enters into commercial transactions at market prices and on arm's length terms. The transactions effected with that company and its subsidiaries in 2017 are indicated in section D.3 as associated with the Director Hercalianz Investing Group, S.L., although they must also be considered associated with the Director Grupo Tradifín, S.L.by virtue of the 50% stake this Director holds in Instituto Hispánico del Arroz, S.A.

● During 2017, Ebro Foods, S.A. distributed a sum of €17 thousand in dividends among the executives listed in section C.1.16 of this Report.

EXPLANATORY NOTE NINE, ON SECTION D.5

A summary of the transactions made in 2017 between companies of the Ebro Group and "other related parties" is set out below:

● Transactions between the Ebro Foods Group and Hernández Barrera Servicios, S.L., a company in which Félix Hernández Callejas, representative of the Director Hercalianz Investing Group, S.L. on the Board of Ebro Foods, S.A., is Director.

- Services rendered in a sum of €2 thousand

- Services received in a sum of €291 thousand

● Dividends distributed to individuals representing corporate Directors on the Board of Ebro Foods, S.A. in a sum of €2 thousand.

EXPLANATORY NOTE TEN

Ebro Foods, S.A. has a 40% interest in Riso Scotti S.p.A. This is an associated investment consolidated by the equity method.

The transactions made during 2017 between Riso Scotti S.p.A. and companies in the Ebro Foods Group are summarised below:

- Purchase of goods (finished or otherwise), €600 thousand

- Sale of goods (finished or otherwise), €2,910 thousand

- R&D transfers and licence agreements, €9 thousand

- Other income, €5 thousand

- Dividends received, €750 thousand

- Services rendered (income), €6 thousand

EXPLANATORY NOTE ELEVEN, ON SECTION E.5

Details are given below of the risks that occurred during 2017, listed in section E.5 of this Report:

● Commodity price and availability risk

Aromatic rice prices rose progressively as from the second quarter of 2017, owing to a smaller sowing area in recent crop years and a smaller quantity of water available in some of the growing areas, which affected the harvest and the carryover stock. The price rise first hit the basmati rice varieties, then extended to Thai fragante. Average year-on-year export prices fluctuated by over 40% in basmati varieties, while the variation in Thai fragante was similar to December 2016.

It is difficult to pass on higher commodity costs to customers, especially when they are so abrupt as those described above, and lengthy negotiations are required, so part of the increased cost must be borne by the company. The final impact will depend on the negotiations under way with customers in some of the Group's principal markets.

The risk that the rice campaign 2017/18 in southern Spain will be affected by the drought has been considered probable in recent months, when the water levels in reservoirs regulating the river basins concerned have been unprecedently low. If this situation continues, irrigation could be limited in rice-growing areas, with material consequences for the forthcoming harvest.

This possibility is significant for the Group, as the area concerned is a major source of supply for our plants in the south of the peninsula. To mitigate this risk, protocols have been activated to raise the carryover levels for the next crop year and find new sources of supply in other countries (such as Argentina, which would give us a counter-cycle harvest).

As we reported last year, the tougher sanitary controls for rice and the prohibition to use certain fungicides for pest control in the European Union present a challenge for guaranteeing supply and quality from certain sources, especially in South East Asia. The Group has maintained its commitment to quality, strictly monitoring the procurement policy and quality control at source, and working conscientiously with local growers and producers.

Prior to the new harvest of durum wheat, the announcement of a smaller growing area and poor quality of carryover stock sowed unrest in the market over the summer, especially in North America, where prices unexpectedly hiked. The situation stabilised after the summer as the quality of the new harvest proved to be higher than the average over the past ten years and the production estimated in the rest of the world offset the smaller harvest in North America, but a short position of our subsidiary pushed up the cost of supplies in this geographical area. Despite the difficulty of foreseeing this type of situations, new measures have been taken to monitor and coordinate the purchase departments in the different supply regions.

● Country risk

The uncertainty surrounding the UK's exit from the European Union remains in similar terms to those mentioned in this report last year.

● Risk of natural catastrophes and accidents

The effects of hurricanes Harvey and Irma, which hit the south of the United States, were felt in our Texas plants (Freeport and Alvin), the distribution centre in Florida and the head offices of Riviana in Houston.

Prior to the imminent arrival of the hurricanes, the planned precautionary measures were taken to: (i) prevent the water coming into contact with the rice in the silos and the finished product; and (ii) divert production as far as possible to the Group's other plants.

Despite those preventive measures, damage was caused to the electrical installations and the product in store and extraordinary costs were incurred in reprocessing the rice and inventory control and safety measures, which dented the profit for the year. The risk control management immediately assessed the value of damage in order to claim from the insurance company. This is currently pending settlement.

Furthermore, a fire broke out this year at a finished product warehouse owned by a third party in the USA, caused by an electrical problem. This damaged product we had deposited at that warehouse. The damage was promptly analysed, the value of the damaged stock was assessed and a claim was filed for the sums insured, which are expected to cover practically all the damage.

● Competition risk

The challenges of aggressive price competition faced by our pasta subsidiary in Canada, which we mentioned last year, still represent a significant risk for maintaining margins and the value of assets related with that business unit. Efforts continued with a view to securing customer loyalty and adequate sales volumes, while investing in innovation in order to achieve market growth and an adequate price structure.

● Regulatory and reputational risk

Two ministerial decrees were published in Italy during the year, introducing the obligation to state on the packaging the origin of all rice sold in Italy and the wheat used to produce the pasta sold in the country, as well as the location of processing those products.

The packaging must clearly state whether the product is from Italy, the rest of the EU or other origins.

The decrees met with a major response from other exporting countries, such as Canada and the USA and the Food Drink Europe grouping, since it represented a rupture of the Common Market. It was also contested by Italian producers (Aidepi), who considered the measure hasty and confusing, since it linked the Italy brand exclusively with the source of the wheat used to produce it. Even so, they entered into force in February 2018, although the European Union is expected to issue a firm opinion during 2018 regarding the growing trend of demanding identification on the labelling of products' country of origin.

Our Group sells pasta in that country along with numerous Italian manufacturers. There is no obligation to source wheat from Italy for that pasta and we believe that the true value added derives from an exhaustive selection of the grain used and a top quality production process, which combines tradition and state-of-the-art controls, so no changes are planned in our specifications.

● Exchange rate risk

The USD-euro exchange rate was highly volatile during the year, rising from approximate parity (with rates of up to 1.03 USD/euro) at the beginning of January to over 1.20 USD/euro in early September and the end of December, continuing into January 2018. This situation has two principal effects for the Group:

a) Since approximately 40-45% of our income is generated in that currency, exchange rate fluctuations have a direct effect on the Group's profits when those amounts are translated to our functional currency, the euro.

b) Because a significant part of our raw materials are purchased in USD.

In this regard, despite a correlation between the evolution of the exchange rate and the source prices of these raw materials, there is still an exchange rate risk, which the Group tries to hedge with financial instruments. The greater the volatility, the greater the uncertainty and the greater the difficulty of establishing an adequate hedging policy.

EXPLANATORY NOTE TWELVE, ON SECTION G

- RECOMMENDATION 11

The Company has a Policy on Attendance Fees for General Meetings, which establishes the principle that those fees will not be cash payments, but the delivery of a gift related with the products of Ebro Group and/or its brands.

- RECOMMENDATION 17

Following the death of an independent director in February 2017, a vacancy was produced on the Board. At the date of this report, that vacancy still exists. At the AGM held on 1 June 2017 it was resolved to maintain the number of Board members at 13, but the vacancy has not been filled.

The board currently has four independent Directors, representing 30.76% of the total Board of thirteen members (33.33% of the total of twelve if we do not count the vacant position).

Therefore, since Ebro Foods, S.A. has a low capitalisation, it complies with the recommendation for the number of independent Directors to represent at least one-third of the total Directors.

Nevertheless, the Nomination and Remuneration Committee is studying the possibility of filling the vacancy on the Board with the appointment of a new independent Director.

ETHICAL PRINCIPLES AND CODES VOLUNTARILY APPLIED BY EBRO FOODS, S.A.:

- United Nations Global Compact - 2001

- Project of the Spanish Commercial Coding Association (AECOC) against food waste, “Don’t waste food, use it” - 2012

- Member of the Advisory Committee of the United Nations Sustainable Development Goals Fund (SDGF) to boost the Sustainable Development Goals (SDG) - 2015

- Sustainable Agriculture Initiative (SAI) Platform - 2015

- SERES Foundation - 2015

- Sustainable Rice Platform - 2016

- Forética. 2017

- Cool Farm Alliance. 2017

This Annual Corporate Governance Report was approved by the Board of Directors of the company on 21/03/2018.

State whether any directors voted against approval of this Report or abstained in the corresponding vote.

YES ☐ NO ☒

The English version of this document is purely informative.
In the event of any discrepancy between the Spanish and English versions of this document, the Spanish version will prevail.

EBRO FOODS, S.A.

Auditor Report on the "2017 Disclosures Regarding the Internal Control over Financial Reporting System"

Translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

AUDIT REPORT ON THE "DISCLOSURES REGARDING THE INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) SYSTEM" OF EBRO FOODS, S.A. FOR 2017

To the Board of Directors of Ebro Foods S.A.,

As per the request made by the Board of Directors of EBRO FOODS, S.A. (hereinafter, the Company) and our proposal letter of November 23, 2017, we have applied certain procedures in relation to the accompanying "ICFR disclosures" of EBRO FOODS, S.A. for 2017, which summarize the Company's internal control procedures in respect of its annual reporting exercise.

The Board of Directors is responsible for taking the opportune measures to reasonably assure the implementation, maintenance and supervision of an adequate internal control system, making improvements to this system and preparing the contents of the ICFR disclosures required of the accompanying Annual Corporate Governance Report (ACGR).

Against this backdrop, it is important to note that, regardless of the quality of design and effective functioning of the ICFR system adopted by the Company in respect of is annual financial reporting effort, the later can only provide reasonable but not absolute assurance regarding the objectives pursued, due to the limitations intrinsic to any internal control system.

In the course of our financial statement audit work and in keeping with Spain's Technical Auditing Standards, the sole purpose of our assessment of the Company's internal controls was to enable us to establish the scope, nature and timing of the Company's financial statement audit procedures. Accordingly, our internal control assessment, performed in connection with the financial statement audit, was not sufficiently broad in scope to enable us to issue a specific opinion on the effectiveness of the internal controls over the annual financial disclosures that the Company is required to present.

For the purpose of issuing this report, we have only carried out the specific procedures described below, as indicated in the Procedures for external audit reviews of an entity´s ICFR disclosures contained in the Internal Control over Financial Reporting in Listed Companies report published by Spain´s securities market regulator, the CNMV (and available on its website), which establishes the procedures to be performed, the scope thereof and the contents of this report. Given that the products resulting from these procedures is at any rate limited in scope and substantially more limited than an audit or review of the internal control system, we do not express any opinion on the effectiveness of the system or on its design as effective functioning in respect of the Company´s 2017 financial reporting disclosures, as described in the accompanying ICFR disclosures. Consequently, had we performed additional procedures to those stipulated in the above mentioned that the Company is required to present, other matter might have come to our attention that would have been reported to you.

Furthermore, given that this special assignment neither constitutes a financial statement audit nor is subject to the Consolidated Text of Spain´s Financial Statement Audit Act, we do not express an opinion in the terms provided for in that piece of legislation.

The procedures performed are itemized below:

1. Read and understand the information prepared by the Entity in relation to the ICFR - which is provided in the Director's Report disclosure- and assess whether such information addresses all the required information which will follow the minimum content detailed in Section F, relating to the description of the ICFR, as per the ACGR model established by CNMV Circular nº 7/2015 dated December 22, 2015.

2. Questioning of personnel responsible for drawing up the information detailed in item 1 above: (i) to obtain an understanding of the process that goes into drawing up the information; (ii) to obtain information that permits an evaluation of whether the terminology used complies with the framework definitions; and (iii) to obtain information on whether the control procedures described are in place and functioning.

3. Reviewing the explanatory documents supporting the information detailed in item 1, including documents directly made available to those responsible for describing ICFR system. The documentation to be reviewed may include reports prepared for the audit committee by internal audit, senior management and other internal or external specialist.

4. Comparing the information detailed in item 1 above with their knowledge of the Company's ICFR obtained through the external audit procedures applied during the annual audit.

5. Reading of the minutes taken at meetings of the board of directors, audit committee and other committees of the Company to evaluate the consistency between the ICFR business transacted and the information detailed in item 1 above.

6. Obtaining a management representation letter in connection with the work performed, signed by those responsible for preparing and formulating the information detailed in item 1 above.

The specific procedures carried out in respect of the Company's ICFR disclosures did not reveal any inconsistencies or incidents that could affect such disclosures.

This report was prepared exclusively within the framework of the requirements established by article 540 of the consolidated text of the Corporate Enterprises Act and by Circular nº7/2015 dated December 22, 2015 of the Spanish National Securities Market Commission related to the description of the ICFR in the Annual Corporate Governance Report.

ERNST & YOUNG, S.L.

(Signed on the original in Spanish)

David Ruiz-Roso Moyano

March 20, 2018

I, the Secretary of the Board of Directors of Ebro Foods, S.A. hereby certify that the members of the Board have signed this document containing the consolidated annual accounts and directors' report of Ebro Foods Group for the year running form 1 January to 31 December 2017, on 224 pages, excluding this one, printed on one side only (the Annual Corporate Governance Report is included at the end of the directors' report, after page 157, numbered from 1 to 63, inclusive, together with the Auditors' Report on the FRICS, on 4 pages). This certificate is signed by each and every one of the directors, in person or by the representative, against their names and surnames set out below.

Madrid, 21 March 2018

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Luis Peña Pazos
Secretary of the Board

Antonio Hernández Callejas
Chairman

Demetrio Carceller Arce
Vice-Chairman

Alimentos y Aceites, SA
(Concepción Ordiz Fuertes)

Belén Barreiro Pérez-Pardo

María Carceller Arce

Fernando Castelló Clemente

José Ignacio Comenge Sánchez-Real
Lead Independent Director

Mercedes Costa García

Empresas Comerciales
e Industriales Valencianas, SL
(Javier Gómez-Trenor Vergés)

Corporación Financiera Alba, SA
(Javier Fernández Alonso)

Grupo Tradifín, SL
(Blanca Hernández Rodríguez)

Hercalianz Investing Group, SL
(Félix Hernández Callejas)