chairman's statement

Dear stakeholders,

The leading developed economies continued their expansion cycles during 2016, while certain factors appeared on the scene generating uncertainty as to medium-term growth prospects. Those factors included Brexit, Donald Trump's arrival in the White House and the return of protectionist policies, the wave of populist, anti-EU movements in advanced societies, the brewing of internal armed conflicts in several countries, especially in the Middle East, etc.

In this context, the average GDP growth in the eurozone was 1.7%, based on domestic consumption and a very lax monetary policy. Growth slowed down in the United States, with a year-on-year growth in GDP of just 1.6%, but a satisfactory macroeconomic situation: practically full employment, controlled inflation, increase in the number of employees with improved average wages and a positive consumer confidence index thanks to the fiscal measures announced by the new president.

Spain, somewhat calmer after the end of the political uncertainty, also achieved a positive evolution in terms of growth and job creation. This brought a clear improvement in consumer confidence, although consumer habits have changed.

Consumers have greater purchasing power and feel more at ease to choose the products in their shopping basket. Their needs have shifted towards a more natural, organic, healthy style of eating and their attitude to brands has also changed: they now want to know everything about how companies work and where their products come from. They want transparency.

Other factors also come into play in this new pattern of consumption: the aging populations of the developed economies, the new generations of consumers (the millennials and digital natives, or Generation Z) and the new ways of cooking or consuming food (to order, vending machines, snacks substituting full meals, etc.); not to mention the relentless penetration of internet, which makes it easy for consumers to compare prices and properties, and a growing number of automated processes that may change food buying and consumption habits. All these changes represent an ongoing challenge for distributers and producers as regards how to reach and keep customers using marketing techniques that have little in common with those used a decade ago, and where the social media and the leadership of trendsetters are becoming increasingly important.

Antonio Hernández Callejas
EBROFOODS CHAIRMAN

In Ebro, we started to anticipate all these changes at the end of 2015 and steered the portfolios of our main brands towards the health category and organic segment. In this regard, we have created a specific business area led by a new company called Alimentation Santé. We also stepped up our interaction with and approach to consumers through an adequate communication strategy implemented through the channels that are more in touch with them. Consequently, we chalked up highly satisfactory earnings in 2016 and entered 2017 with good prospects, increasing our presence in these new categories and growing in our traditional business areas. Nevertheless, there are undoubtedly some interesting challenges ahead. On the one hand, we must rejuvenate our brands and products to make them more attractive to the new consumers: millennials and Gen Z. On the other hand, we must face the major challenges deriving from the penetration of e-commerce in the food world and, finally, strengthen our bonds with customers, consumers and society at large, showing them how we work to create shared value for all our stakeholders.

Along these lines, we made further progress during 2016 towards shaping an efficient, sustainable, transparent business model, committed to the socioeconomic development of the communities in which we operate, minimising environmental impact, promoting good agricultural practices and the implementation of ESG principles among our commodity suppliers, responsible consumption and a greater endorsement of healthy lifestyles.

In commodities, the markets in general and grain markets (maize, wheat and rice) in particular remained stable, with the highest stock forecasts in recent years.

In this scenario, the rice division posted very satisfactory results, underpinned by the excellent performance of its subsidiaries, which closed a record year in both Spain and the USA. The division as a whole launched more than 82 new products during the year, mainly in the health segment. The "Brillante cups" concept was also extended very successfully in Spain to a new category combining health and convenience, with different varieties of quinoa and combinations of pulses and grains.

In the pasta business, Panzani, managed to increase its market shares in both volume and value in a highly competitive environment, boosted by the success of dry pasta with fresh-pasta quality, the principal innovations in the fresh pasta segment and considerable organic growth. Garofalo closed an outstanding year, consolidating its benchmark position

RICE

PASTA

ORGANIC FOOD

in premium pasta; and the North American business started to see a positive trend in sales, thanks to the stabilisation of the market, the work done in Health&Wellness and heavy investment in advertising to stress the quality and proximity of its brands.

As for the growth and expansion of the Group, during the past year we bought up the French company Celnat in the organic food segment and 52% of the Spanish special flours company Santa Rita. We also expanded our business in India, Thailand and France (in Vitrolles, specifically), bought a plant in Berkley (UK) and set up the company EbroFrost UK to develop the frozen foods business in that country.

In the stock market, the value of the Ebro Foods share climbed 13.6% in 2016, far outshining all the comparable benchmark indexes. Over the same period, Ibex 35 dropped 9.7%, Ibex Med was down 9.3%, Ibex Small rose by 0.8% and Euro Stoxx Food and Beverage, the benchmark for European food stocks, fell by 9.1%.

In short, 2016 was a very complete year for the Ebro Group. Imbued with a 100% innovating spirit as our main driving force for growth, careful management of our resources and perceptive reading of the markets, we have improved all our financial metrics, enhanced the equity of our brands and increased our presence in all the principal markets in which we operate.