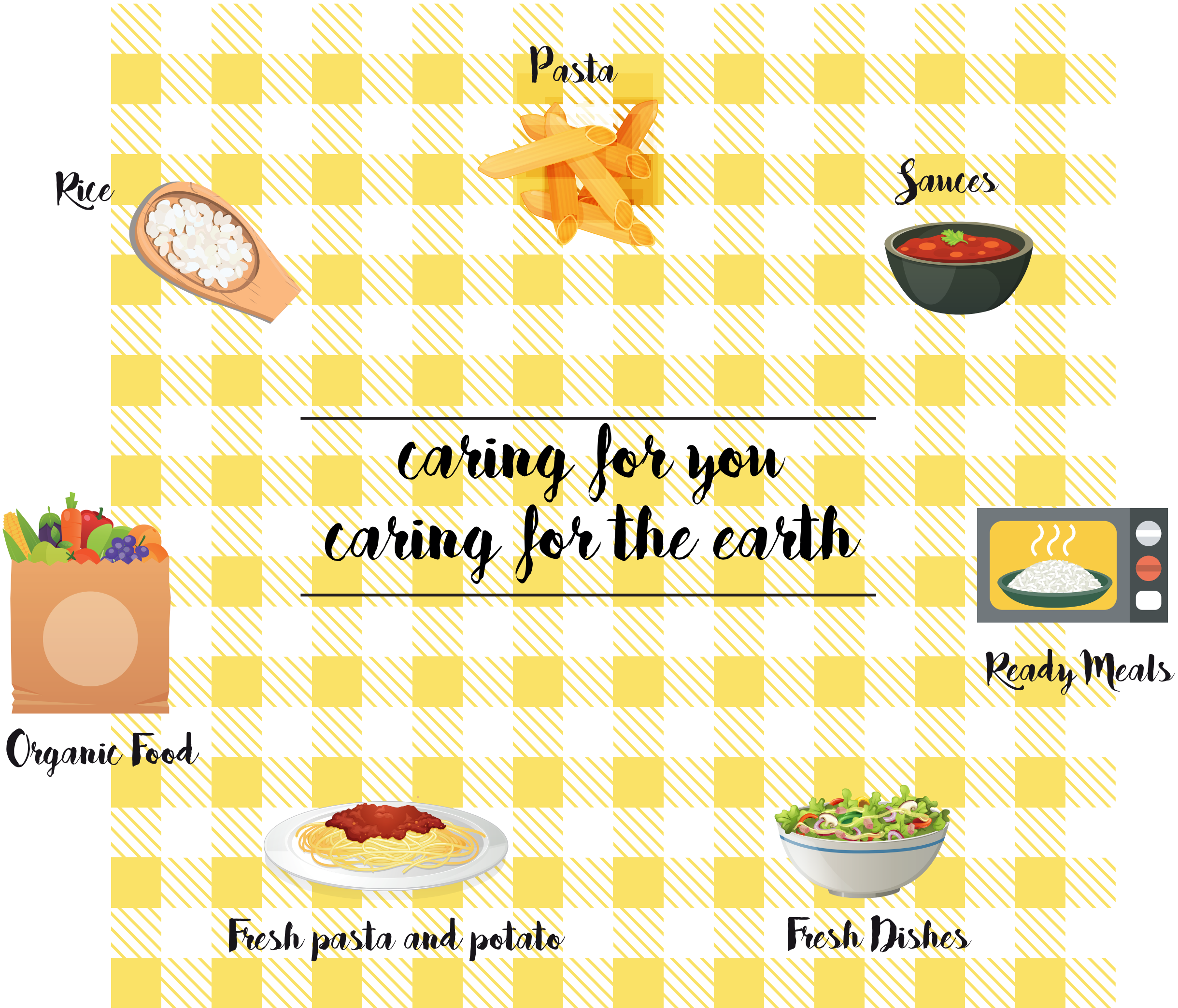
1 Consolidated Group



General overview

The year was marked by optimism, with a global economic recovery underpinned by an upturn in investment and world trade that is expected to continue at least over the next two years. The overall feeling is favourable, as reflected by the confidence indicators, easing (although not eliminating) the geopolitical and financial uncertainties.

Average GDP growth in the eurozone was 2.4%, 0.7% more than expected, with a more homogenous distribution of growth and good performance of the emerging economies (Poland, Czech Republic, Hungary, Romania). Prices have remained slightly below the target levels, so an accommodative monetary policy has been maintained, although market incentives are being gradually withdrawn. The labour market is responding to the growth in economic activity with good signs in all countries, which are starting to result in better pay.

The annual GDP growth of the United States (by 2.5%) exceeded expectations, proving the strength of an economy that is at an advanced stage of the business cycle and where a major tax reform was recently passed to maintain that growth. The Federal Reserve gave impetus to the situation (close to full employment and with restrained prices) by approving three times a rise in the benchmark interest index and downsizing its balance sheet (as announced a year earlier).

Overview of consumption

The trends in consumption patterns announced last year were repeated this year:

- Preference for natural, healthy, organic food. The increased consumption of fresh products is closely connected to this feeling.
- Quality private label brands have broadened their customer base, spanning practically all social classes and segments of population.
- Consumers are willing to pay more for products that satisfy them, because of their quality or because they are quick and easy to prepare.
- Growth of local supermarkets with a higher shopping frequency and increased availability (24-hour opening, alliances with filling stations or other high-traffic points).
- Aging of the population and smaller families; new formats and customised products and services.
- Consolidation of new players (virtual stores such as Amazon) on the distribution market along with the new consumer trends and use of technology.

These would be the general patterns, while differential factors are found in each specific market, such as immigration (which introduces new eating habits), the new generations of digital natives or the new ways of cooking or consuming food (by order, through vending machines, snacks as meal substitutes, etc.).

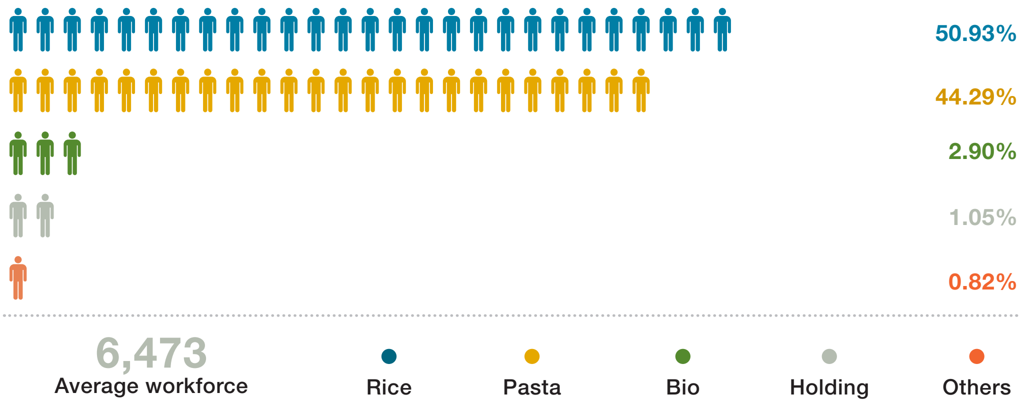
The relentless penetration of mobility in internet access (with smartphones or tablets) makes shopping faster and more universal.

This situation, together with growing automation (self-driving cars, drones, etc.) and interchange platforms that put consumers in touch with the producers of goods and services, herald a change in food consumption and shopping habits (customised promotions, access to all sorts of food delivery services, crossing the last mile barrier in distribution, etc).

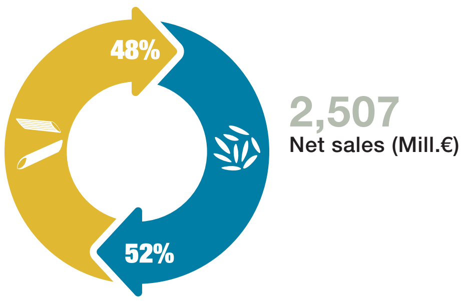
All these changes have brought a new scenario of challenges for distributors and producers, who are forced to use totally different marketing techniques from those prevailing up to a decade ago to reach consumers and achieve customer loyalty, and where the use of Big Data and the speed and customisation of marketing actions are becoming increasingly important.

Consolidated group

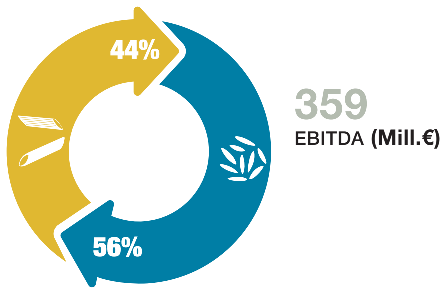
BREAKDOWN OF GROUP WORKFORCE BY BUSINESS AREAS



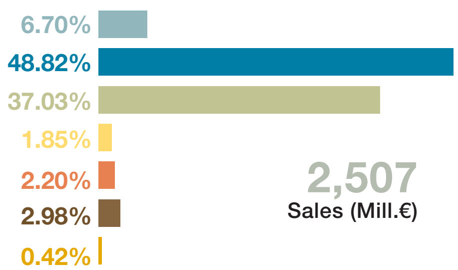
BREAKDOWN GROUP SALES



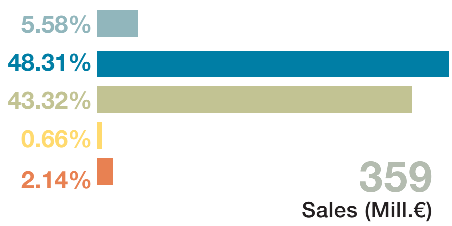
BREAKDOWN OF GROUP EBITDA



BREAKDOWN OF GROUP SALES BY GEOGRAPHICAL AREAS



BREAKDOWN OF GROUP EBITDA BY GEOGRAPHICAL AREAS



Spain · Europe · North America · Africa · Asia · Middle east · Others

Profit and Loss

	2015	2016	*2016-2015*	2017	*2017-2016*	CAGR 17-15
Net sales	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%
% Net sales	*(3.5%)*	*(4.1%)*	*(15.4%)*	*(3.7%)*		
EBITDA	314,724	344,141	*9.3%*	359,000	*4.3%*	*6.8%*
% Net sales	*12.8%*	*14.0%*		*14.3%*		
EBIT	246,314	267,308	*8.5%*	279,314	*4.5%*	*6.5%*
% Net sales	*10.0%*	*10.9%*		*11.1%*		
Profit before tax	229,722	259,410	*12.9%*	264,131	*1.8%*	*7.2%*
% Net sales	*9.3%*	*10.5%*		*10.5%*		
Income tax	(79,034)	(83,591)	*(5.8%)*	(34,157)	*59.1%*	*(34.3%)*
% Net sales	*(3.2%)*	*(3.4%)*		*(1.4%)*		
Consol. profit for the year (continuing operations)	150,688	175,819	*16.7%*	229,974	*30.8%*	*23.5%*
% Net sales	*6.1%*	*7.1%*		*9.2%*		
Net loss on discontinued operations						
% Net sales						
Net profit	144,846	169,724	*17.2%*	220,600	*30.0%*	*23.4%*
% Net sales	*5.9%*	*6.9%*		*8.8%*		

Balance Sheet

	31-12-15	31-12-16	*2016-2015*	31-12-17	*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 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**		**3,660,700**	***0.4%***

	31-12-15	31-12-16	*2016-2015*	31-12-17	*2017-2016*
Average working capital	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 headcount	5,759	6,195	*7.6%*	6,521	*5.3%*

(1) ROCE = (Operating income MAT / (intangible assets - property, plant & equipment - working capital)
(2) Capex as cash outflow from investing activities
(3) Ratio of average net financial debt with cost to equity (excluding minority interests)

Turnover rose by 1.9% year on year. The incorporation of new companies in the group, which contributed €43 million in sales and an increased volume of products sold, offset the negative impact of the dollar exchange rates (sales down €17 million) and the slight drop in net prices during the second half of the year (continuing the trend of the previous year).

The weight of rice and Europe in total turnover improved slightly as a result of the latest acquisitions in this area.

The **generation of resources, EBITDA**, rose by 4.3%, with a contribution of €4.4 million by the new businesses and a negative impact of €3.4 million caused by exchange rate variations. Prominent aspects of the year included: (i) the especially positive performance of the rice segment in Europe and (ii) the performance by Garofalo in the Premium segment, which continued expanding along with the Group, with growing penetration in different European markets. In contrast, the performance of the pasta division declined in the United States, where the market is dominated by promotion and price wars (the market dropped 2.3% in value and 1.2% in volume, according to the average market information for the past 52 weeks as at 30 December 2017), and where the unexpected upturn in the price of American durum wheat in the summer pushed the cost of supplies up by US$ 4.2 million, which we were unable to pass on to customers.

The average profitability measured by the **EBITDA to Sales** ratio rose to 14.3%, with a clear improvement in European subsidiaries, remaining lower in the USA owing to the fierce price competition.

The profit before tax grew at a slower rate than the above-mentioned margins, due to: (i) the higher interest expense associated with the extremely volatile US$ exchange rate during the year (the Group makes a significant portion of its purchases in US$) and (ii) the worse evolution of **non-recurring earnings**, with a smaller generation of proceeds from the sale of assets than those received in 2016 (mainly from the sale of properties and sale of the Puerto Rico business).

The **tax expense** has been reduced considerably due to the tax reforms made in several countries within the general trend to lower tax rates in an effort to increase competitiveness. The tax reform in the United States was particularly important: although the new federal tax rate (down to 21% from 35%) will be applicable as from 2018, the effect of the reduction on deferred tax liabilities is already visible in the 2017 profit and loss account.

The **Net Earnings in Continuing Operations** rose by 30.8% thanks to the growth in profitability and the effect of the tax reform mentioned in the preceding paragraph.

The **ROCE** held steady at 16.6%, balancing the increase in profitability with a rise in the average capital employed.