BUSINESS AREAS AND DEVELOPMENT IN 2016

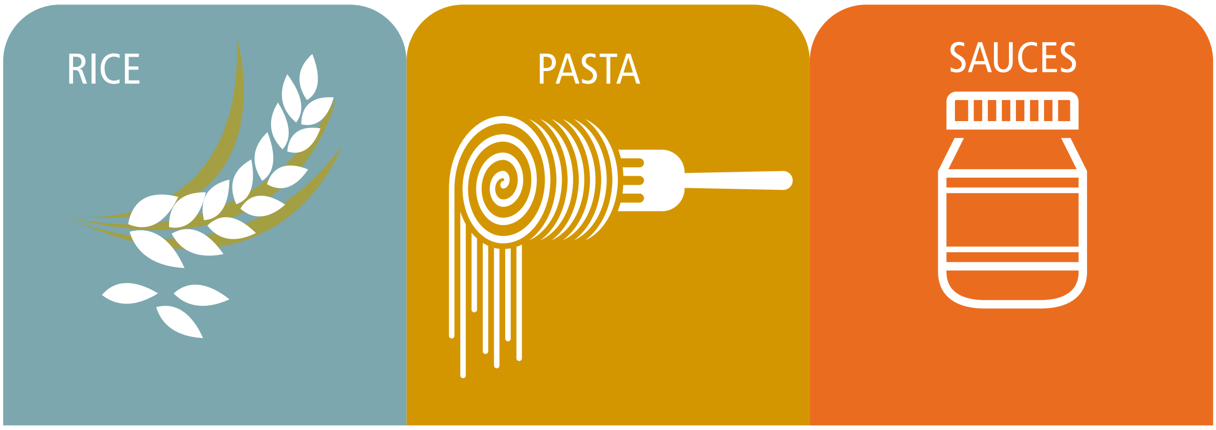
EBRO 2016

CONSOLIDATED GROUP

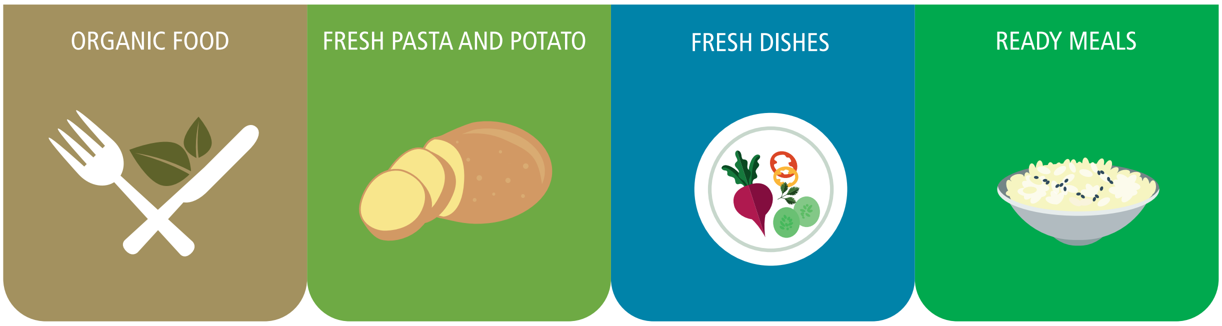
RICE

PASTA

Core Business



Other Businesses



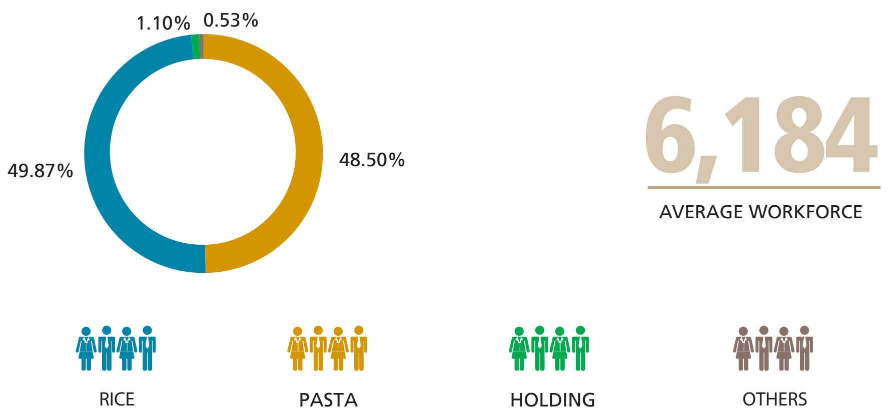
The core businesses of Ebro Foods are rice, pasta and sauces. Within these areas, Ebro develops its business model with the different technologies: dry, fresh, pre-cooked and frozen.

Apart from the rice and pasta businesses, the Group is developing a Healthy Food and Organic business area around the latest acquisitions made by the company in the organic segment, specifically Celnat and Vegetalia, and the health-related activities and organic products of all the subsidiaries. This new business area is organised under new company called Alimentation Santé and presented under the umbrella of the pasta business.

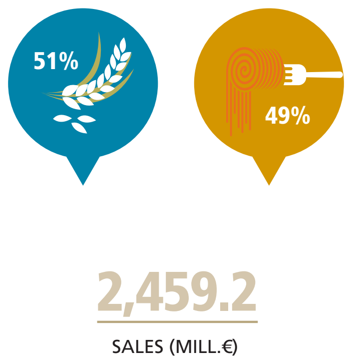
The Group also produces and puts on the market high value added products in other categories, such as ready meals, fresh potato and other related foods.

Consolidated Group

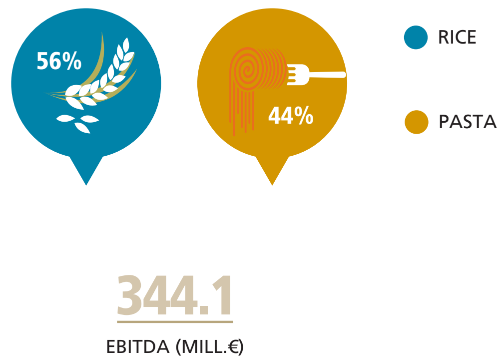
BREAKDOWN OF GROUP WORKFORCE BY BUSSINES AREAS



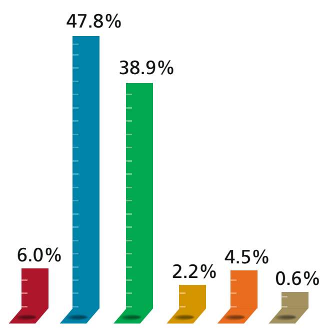
BREAKDOWN OF GROUP SALES



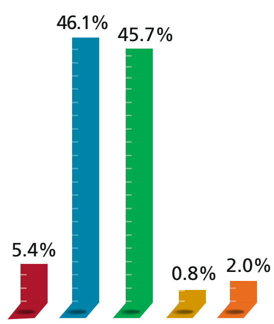
BREAKDOWN OF GROUP EBITDA



BREAKDOWN OF GROUP SALES BY GEOGRAPHICAL AREAS



BREAKDOWN OF GROUP EBITDA BY GEOGRAPHICAL AREAS



SPAIN EUROPE NORTH AMERICA AFRICA ASIA OTHERS

The Group's business development in 2016

Backdrop

The expansion cycle continued in 2016 in the principal developed economies, although not without the odd jolt, especially in political terms. The average growth of the GDP in the eurozone was 1.7%, based on domestic consumption and a very lax monetary policy. Future prospects are positive, with an overall increase in confidence, improvement in world trade underpinned by a weak euro and unrestrictive tax policies. Even so, political risks still remain, although they are generally thought to be on the wane.

US growth lost its vigour over the year, with GDP growth of 1.6% year on year, slower than in previous years. However, its macroeconomic situation can be considered ideal, with practically full employment, controlled inflation, rising numbers of employees and, at last, improved average wages. This scenario has brought about a change of cycle in monetary policy. The index of consumer confidence is positive, boosted by the fiscal stimulus announced by the new president.

Yet despite a macroeconomic situation that stimulates an improvement in confidence, there are still certain shadows over trade in the form of protectionism and an inrush of opportunist policies that urge caution.

There are certain trends in consumer patterns, already mentioned by the Chairman at the beginning of this report, prevailing among consumers whose purchasing power has improved and where the family unit (in developed economies) has changed considerably:

- Preference for natural, healthy, organic food. Need to return to natural products, which should cease to be elitist or within the reach only of a few consumers with high purchasing power.

- Consumers have become more cautious: they buy less, go for cheaper goods and buy quality private-label products, but they 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 the appearance of new players (virtual stores) on the distribution market.

- The powerful growth of digitalisation and multichannel marketing.

The raw material markets in general and the grain (maize/corn, wheat and rice) markets in particular remained stable, with the highest stock forecasts in recent years (see IGC reports).

Group earnings

The principal financial highlights of the Group are shown below:

CONSOLIDATED FIGURES (€ 000)	2014	2015	2015-2014	2016	2016-2015	CAGR 2016-2014
Net sales	2,120,722	2,461,915	16.1%	2,459,246	(0.1%)	7.7%
EBITDA	287,251	314,724	9.6%	344,141	9.3%	9.5%
% net sales	*13.5%*	*12.8%*		*14.4%*		
EBIT	227,242	246,314	8.4%	267,308	8.5%	8.5%
% net sales	*10.7%*	*10.0%*		*10.9%*		
Profit before tax	215,749	229,722	6.5%	259,410	12.9%	9.7%
% net sales	*10.2%*	*9.3%*		*10.5%*		
Income tax	(64,407)	(79,034)	(22.7%)	(83,591)	5.8%	13.9%
% net sales	*(3.0%)*	*(3.2%)*		*(3.4%)*		
Consol. profit for the year (continuing operations)	151,342	150,688	(0.4%)	175,819	16.7%	7.8%
% net sales	*7.1%*	*6.1%*		*7,1%*		
Net loss on discontinued operations	(2,223)		(100.0%)			(100.0%)
% net sales	*(0.1%)*					
Net profit	146,013	144,846	(0.8%)	169,724	17.2%	7.8%
% net sales	*6.9%*	*5.9%*		*6.9%*		
Average working capital	442,036	482,300	(9.1%)	461,991	4.2%	
Capital employed	1,363,346	1,579,447	(15.9%)	1,611,272	(2.0%)	
ROCE (1)	16.7	15.6		16.6		
Capex (2)	67,123	81,466	21.4%	107,725	32.2%	
Average headcount	5,189	5,759	11.0%	6,195	7.6%	

	31-12-14	31-12-15	2015-2014	31-12-16	2016-2015
Equity	1,849,485	1,966,259	6.3%	2,079,326	5.8%
Net Debt	405,617	426,280	5.1%	443,206	4.0%
Average Debt	333,178	424,940	27.5%	404,137	(4.9%)
Leverage (3)	0.18	0.22		0.19	
TOTAL ASSETS	**3,162,068**	**3,403,676**		**3,645,478**	

(1) ROCE = (Operating income TTM / (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 remained stable year on year, as prices were lowered in the wake of a downward trend on the raw materials market. The changes in our consolidated group brought an increase in sales of €52.5 million; the volume of rice sales grew in all our markets, while those of pasta were less uniform (growth in Europe, slight fall in North America); the impact of the exchange rate was insignificant. The 7.7% rise in CAGR reflects organic growth achieved through the renovation of formats and products and inorganic growth through acquisitions.

The **generation of resources, EBITDA,** rose by 9.3%, with a contribution of €7.2 million by the new businesses and no significant impact by exchange rate variations. Performance was especially positive in the rice segment, with record yields, whereas the pasta business had a good year in Europe and another tough year in North America, where it faced fierce competition in prices and promotions (the market lost 0.8% in value, even though the volume of sales increased by 0.8%).

The average profitability measured by the EBITDA to sales ratio rose to 14.0%, with a clear improvement in European subsidiaries, remaining lower in the USA owing to the fierce price competition.

The **Net Earnings in Continuing Operations** were pushed up 16.7% by the growth in profitability and non-recurring earnings produced during the year (sale of the business in Puerto Rico and a real-estate property in Spain), and reduced by other non-recurring expenses associated with the adjustment of certain retirement supplements in France.

The **ROCE** rose to 16.6% thanks to the increase in profitability and a stable average capital employed.

CONSOLIDATED GROUP

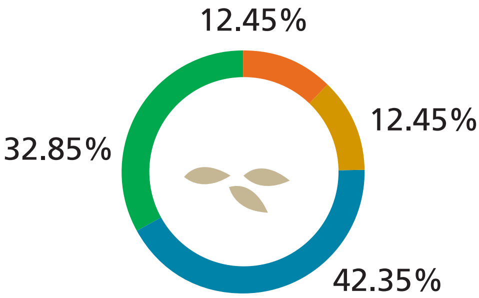
RICE

PASTA

Rice

The group is world leader in this business area. Its origins in Spain date back to 1950 and it began its international expansion in 1986 with the purchase of leading brands and companies in Europe, United States and Canada. Now present also on the african and asian continents, the division operates through a broad portfolio of leading brands and products in their category. This business area accounts for 51% of EBRO's total sales.

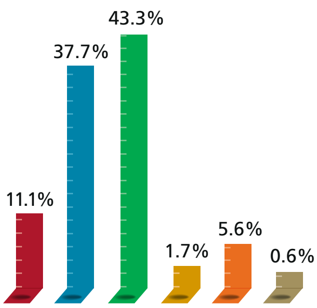
BREAKDOWN OF GROUP WORKFORCE BY GEOGRAPHICAL AREAS



3,084

AVERAGE WORKFORCE

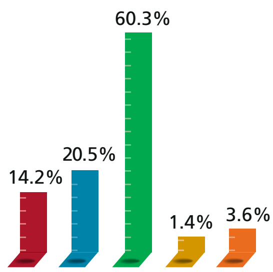
BREAKDOWN NET SALES OF RICE DIVISION BY GEOGRAPHICAL AREAS



1,283.8

SALES (MILL.€)

BREAKDOWN EBITDA OF RICE DIVISION BY GEOGRAPHICAL AREAS



196.2

EBITDA (MILL.€)

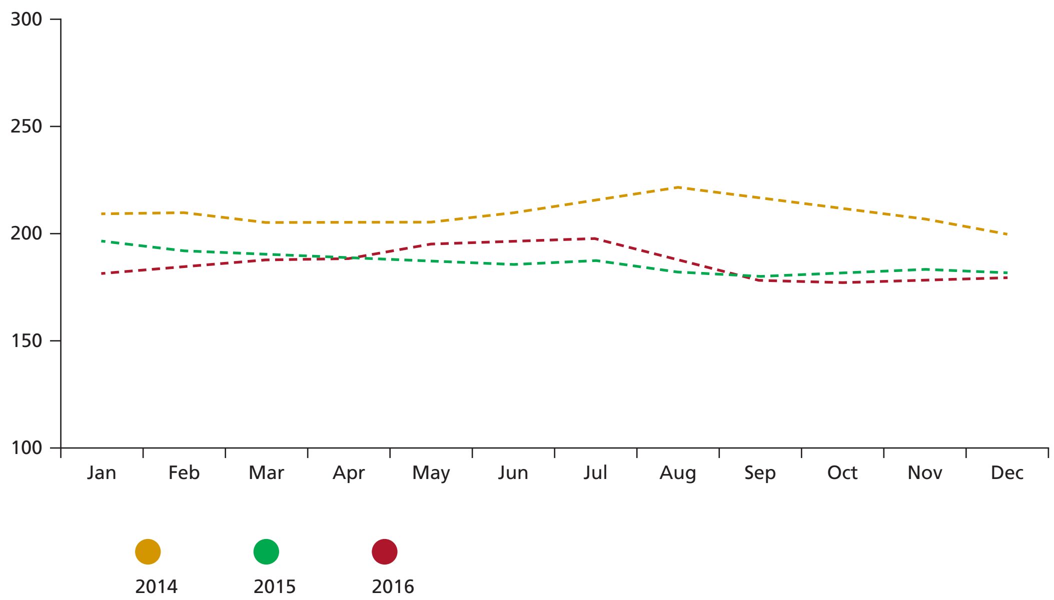
SPAIN · EUROPE · NORTH AMERICA · AFRICA · ASIA · OTHERS

Development of the rice business in 2016

As indicated in the comments on the general situation, the overall market trend was one of stable prices with world output and stock levels among the highest on record. The new 16/17 harvest was also excellent, so supply and prices remained stable until the end of the year.

RICE BUSINESS (€ 000)	2014	2015	2015/2014	2016	2016/2015	CAGR 2016/2014
Net sales	1,139,697	1,287,726	*13.0%*	1,283,853	*(0.3%)*	*6.1%*
EBITDA	148,828	176,959	*18.9%*	196,264	*10.9%*	*14.8%*
% net sales	*13.1%*	*13.7%*		*15.3%*		
EBIT	121,789	147,509	*21.1%*	163,561	*10.9%*	*15.9%*
% net sales	*10.7%*	*11.5%*		*12.7%*		
Average working capital	339,882	360,709	*(6.1%)*	362,483	*(0.5%)*	
Capital employed	767,771	861,763	*(12.2%)*	891,758	*(3.5%)*	
ROCE	15.9	17.1		18.3		
Capex	32,440	39,555	*21.9%*	47,391	*19.8%*	

RICE PRICE INDEX (IPO)



By geographic regions, there was abundant sowing and harvesting of short-grain rice in Europe, following the reduction of area set aside for long-grain rice, which is not competitive against this type of rice from EBA countries. Accordingly, it was possible to ensure local supply and prices, contrasting with the constraints of previous years.

In the United States, the 15/16 harvest was somewhat shorter than in the previous crop year, but with the high local stock level and low international prices it was possible to maintain stable prices in the first half of the year.

The 16/17 harvest was excellent, with 22% more area cultivated thanks to the combination of favourable conditions (weather, end of water restrictions in Texas, absence of more profitable alternatives), producing the second largest output on record. Consequently, prices remained low.

Prices US crop year *(Source: USDA)*
AUGUST-JULY

$/CWT	16/17 (*)	15/16	14/15	13/14
Average price	10.1-10.9	12.2	13.4	16.3
Long grain	9.5-10.0	11.2	11.9	15.4
Medium grain	12.0-12.8	15.3	18.3	19.2

(*) Estimated range

The exceptions to the above comments are found mainly in the basmati variety, where smaller areas were sown so the harvest was small (compared with other varieties that are more profitable for growers and have taken the country to the head of world exports) with sharp price rises and even default of contracts.

Sales remained stable, with a slight increase in volume sold and lowering of the price, in line with the prices paid at source. The full-year incorporation of Rice Select offsets the exclusion of the business in Puerto Rico. The year saw the following highlights:

- Very productive year in launchings, with an extensive line of products focused on health and convenience. The ranges developed in Spain have been extended to the major European countries, rejuvenating the listings that have to compete with private-label products.
- A new category was created within the "cups" concept, based on other grains (quinoa, chia, etc.) and pulses and combining health and convenience. Some of these, such as the combination of white and red quinoa, already chalks up the fourth highest sales in Spain of products in this category.
- The special flours with high value added maintain their double-digit growth (+25%) through the subsidiary Herba Ingredients.
- Consolidation of our subsidiary in India. Apart from acting as a supply platform, this company has also built up its local presence, increasing its branded product sales by 25% to €28 million.
- In the United States, we maintain a stable market share of 22.34% (XAOC Nielsen), with slight improvements in all segments, except large traditional rice formats with a smaller value added.
- Sales declined in the Middle East distributors adjusted their stocks of Abu Bint. This is a timing difference.

The division **EBITDA** was up 10.9% year on year, which points to an improvement in yield (15.3% margin, up from 13.7% in the previous year). The changes in our consolidated group (exclusion of Puerto Rico, full year of Rice Select) offset each other, so the growth was purely organic.

Investment in advertising was raised by €1.5 million, consolidating an investment 33% higher than the levels of 2013 and 2014, supporting the enormous commercial and innovation efforts made by this division.

Riviana set a new record in earnings at USD 123 million (+14.7% year on year), just a small part of which corresponds to the incorporation of full-year figures from the Rice Select assets (a further USD 3.2 million) and despite the fact that a weak 15/16 harvest of the Texmati variety prevented this brand from reaching its predicted results.

In other regions, the evolution was particularly satisfactory in the Spanish brand business, while the situation differed in other European countries depending on the calendar of marketing the new range of products, with a substantial improvement in profitability in the Netherlands and early stages in Germany.

By source, the contribution to the EBITDA of the non-American business is as follows:

	2014	2015	%	2016	%
Spain	28,539	23,191	32.2%	27,903	35.8%
Europe	40,873	41,307	57.4%	40,261	51.6%
Others	3,916	7,522	10.4%	9,845	12.6%
TOTAL EBITDA	73,328	72,020	100.0%	78,009	100.0%

The growth of other sources corresponds to the business in India and Thailand, where the Group has stepped up its presence, both to guarantee the supply of long-grain and aromatic rice with prices and qualities the meet our internal requirements and with a view to gradually penetrate the local market.

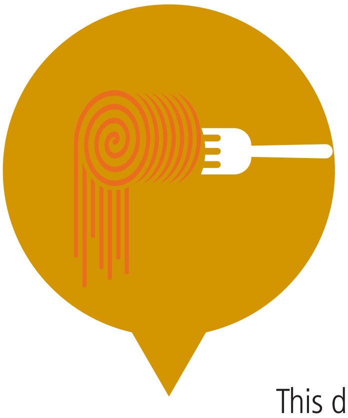
The division **ROCE** improved again along with the higher profitability of the business, achieved with an average capital employed in line with the previous year.

Investment in fixed assets grew again, especially in business lines with a high growth potential. The principal investments **(CAPEX)** made in this division correspond to a new flour and ingredients production line (€3.9 million), a new frozen products plant in the UK (€1.4 million), enlargement of the facilities in India (€2.2 million), new finished product warehouses in Antwerp (€9.9 million) and Amsterdam (€1 million), new facilities in Cambodia (€1.9 million), enlargement of instant rice capacity at the Memphis plant (€1.8 million) and completion of the gluten-free project in Memphis (€2.2 million) and automation of the packaging lines at the Freeport plant (€3.7 million).

CONSOLIDATED GROUP

RICE

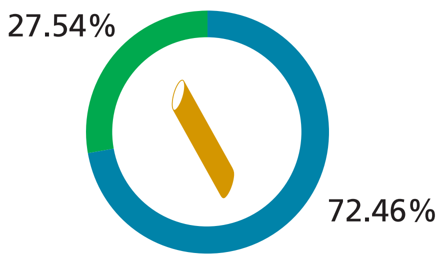
PASTA



Pasta, sauces and others

This division is represented by the companies new world pasta (leader in the United States and Canada), Panzani (no. 1 in France in the dry and fresh pasta, sauces, couscous and semolina sectors) and Pastificio lucio Garofalo (Italy). Apart from these countries, the group's brands are also present in Belgium, hungary, united kingdom, algeria, united arab emirates, czech republic and russia, so in just ten years, ebro has positioned itself as second pasta manufacturer in the world. The division overall now accounts for 49% of the group's business.

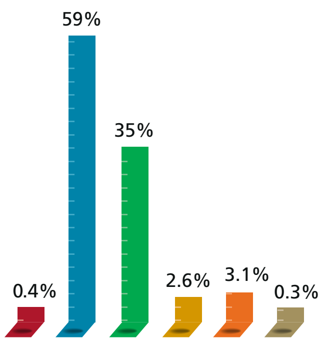
BREAKDOWN OF GROUP WORKFORCE BY GEOGRAPHICAL AREAS



2,999

AVERAGE WORKFORCE

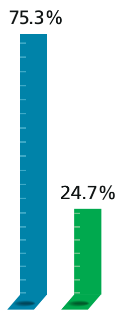
BREAKDOWN NET SALES OF PASTA DIVISION BY GEOGRAPHICAL AREAS



1,236.2

SALES (MILL.€)

BREAKDOWN EBITDA OF PASTA DIVISION BY GEOGRAPHICAL AREAS



157

EBITDA (MILL.€)

SPAIN · EUROPE · NORTH AMERICA · AFRICA · ASIA · OTHERS

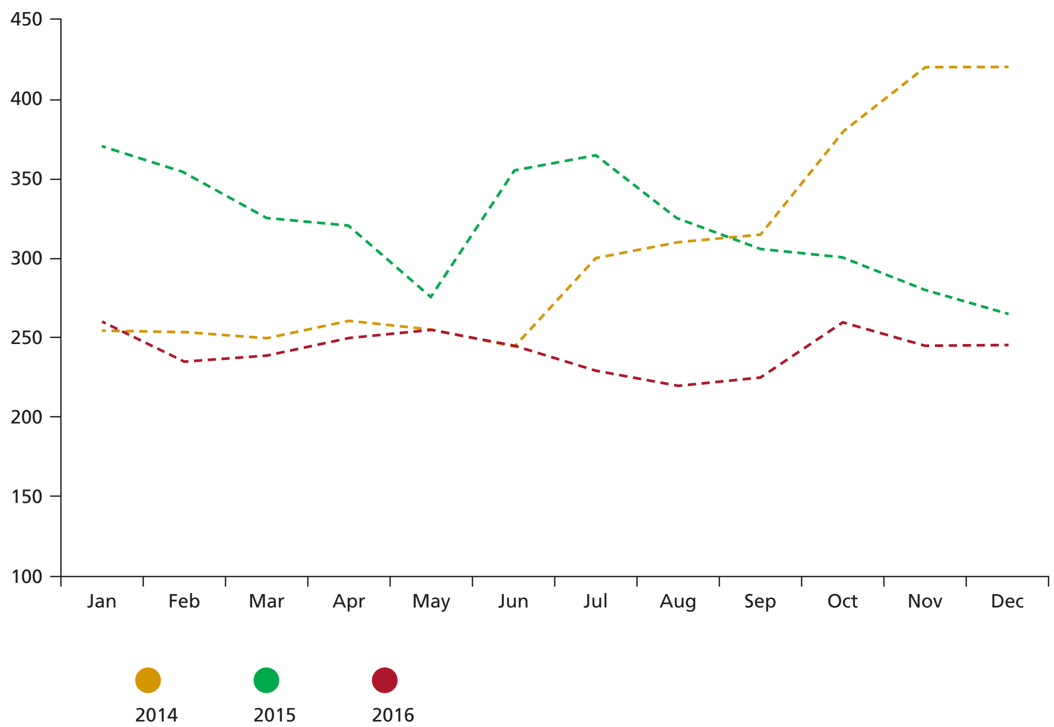
Development of the pasta and sauces business in 2016

PASTA BUSINESS (€ 000)	2014	2015	2015/2014	2016	2016/2015	CAGR 2016/2015
Net sales	1,029,294	1,224,491	*19.0%*	1,236,227	*1.0%*	*9.6%*
EBITDA	146,317	148,647	*1.6%*	157,089	*5.7%*	*3.6%*
% net sales	*14.2%*	*12.1%*		*12.7%*		
EBIT	114,397	110,477	*(3.4%)*	113,544	*2.8%*	*(0.4%)*
% net sales	*11.1%*	*9.0%*		*9.2%*		
Average working capital	94,810	107,261	*(13.1%)*	97,015	*9.6%*	
Capital employed	578,767	691,071	*(19.4%)*	709,253	*(2.6%)*	
ROCE	20.5	16.1		16.2		
Capex	34,249	40,683	*18.8%*	59,701	*46.7%*	

Durum wheat prices were very stable throughout 2016. There was considerable variation in the harvests and yields of this cereal in the different wheat-growing regions. The year commenced with an abundant stock from the 15/16 season, although with certain quality shortcomings, and the 16/17 season has reproduced this situation with larger areas sown and harvests in the principal producing countries (USA, Canada and southern Europe) but, owing to the late rainfall, with a poor quality harvest in northern France and Canada. Cereal harvests are, nevertheless, at all-time high levels, making the market very stable, as reflected in the evolution of prices over the past three years.

PRICE OF DURUM WHEAT IN €/TON

Source: Terre.net



The prices paid to growers in the USA, published by USDA, are also clearly falling, from 9.16 $/bushel in June 2015 to an average price paid in December 2016 of 6.27 $/bushel.

Sales grew by 1%, boosted by the incorporation of other businesses, which contributed €64 million in the year-on-year comparison (nine months more of Monterrat and full year Celnat), while prices put strong downward pressure on turnover.

By geographical markets:

- In France, dry pasta sales grew by 1.7% in volume to reach a 37.6% share of modern distribution, in a category that is declining at a rate of 0.4%. The growth in sales and market share was extended to fresh pasta, which increased to a 39.1% market share in volume, but stagnated in the sauces segment following a complicated first quarter. Overall, the greater volume of sales pushed the turnover up by €26 million. Prices had the opposite effect (-€38 million) as the falling prices of wheat were passed on to consumers.

  A significant part of this growth is underpinned by innovations, especially in the new dry pasta with the quality of fresh product (2,427 tonnes sold, compared to 1,247 tonnes in the preceding year), 811 tonnes of the new product ranges based on ancient grains and combinations with rice or pulses, and the 35.9% growth in sales of pan-fried gnocchi, which further broadened its range with annual sales of 12,703 tonnes, making it the flagship of the Group's innovation and an example to be followed by the new ranges of Spanish Tortilla, Croque Monsieur and Pizza.

  Special mention should be made here of the incorporation of CELNAT, acquired in January 2016. This company is a pioneer in organic food segment and one of the most important organic cereal producers in France. CELNAT has a very significant position in the category of high quality organic products and an excellent reputation in specialised circuits, where it makes 95% of its sales. It has been consolidated as planned and we trust that it will become the seed of a new healthy food division.

- Another great year for Garofalo, with growth in volume and profitability. It has increased its share of the premium pasta market in Italy to 5% in volume and 7.5% in value, while its distribution in Spain has grown by 35%.

- United States. This is a highly complex market, where price competition is extremely intense and promotions are all-important. The Group's strategy during the year was to bolster its principal brands to guarantee their volume and recognition, while positioning the new product lines in the health and well being segment (ancient grains, supergreens, gluten free and organic). Numerous initiatives were developed in respect of local brands (territorial expansion of American Beauty), increasing promotion by 10% and investment in advertising by 64%. New World Pasta now has an 18.8% share in volume of the market.

- Canada. Just as in the USA, the lowering of prices at source caused a deflationary market (3.8% increase in volume, but only 2% in value), with a large number of operators implementing aggressive price policies.

  The Group's response was similar, with increased promotions and advertising. Catelli Foods still leads the market with a 31% share in volume. The fresh pasta market grew by 2.3% in volume and 3.0% in value, and Olivieri maintains its leadership with a 45.1% share, despite the competition between private label and manufacturers' brands.

The division **EBITDA** grew by 5.7%. Roland Monterrat contributed €4.3 million and CELNAT €3.2 million for the full year.

France increased its contribution to €99.4 million, with organic growth of €4.2 million, despite a 10% increase in advertising investment. The higher profitability was thanks to a larger volume of sales and improved productivity throughout the value chain. The fresh sandwich segment marketed by Roland Monterrat came under strong pressure from competition, so a profitability enhancement plan was implemented, with a progressive integration in the Panzani structure.

Garofalo contributed €20.1 million, up 16% year on year while investing 10% more in advertising. It held a perfect course within a deflated market, where it managed to improve its profitability by extending its brand and thanks to agile management of its purchasing position for top quality wheat.

The performance of New World Pasta was not so good in either the dry pasta segment, where it was forced to make major efforts in price negotiation and promotions, or in the fresh pasta and sauces business, in which it operates under its Olivieri brand in Canada. Its contribution to Group earnings dropped by €5.8 million (increasing its expenditure on advertising by €9.3 million) and the erosion of the Olivieri brand was reflected in the recognition of a loss for a reduction of value calculated at CAD 10 million (see Note 9 to the Annual Accounts).

The division **ROCE** remained more or less stable at 16.2%.

CAPEX was concentrated in the facilities to improve the fresh product capacity and productivity at Communay (€4 million, taking the investment so far to €33.5 million), a new long-grain pasta line (€4 million), a logistics warehouse in the north of France (€13,4 million), increased productivity at the Roland Monterrat plant (€3 million), a new short-grain pasta line at the Garofalo plant (€2,4 million) and improved productivity of the long-grain pasta line at Winchester (€2 million).