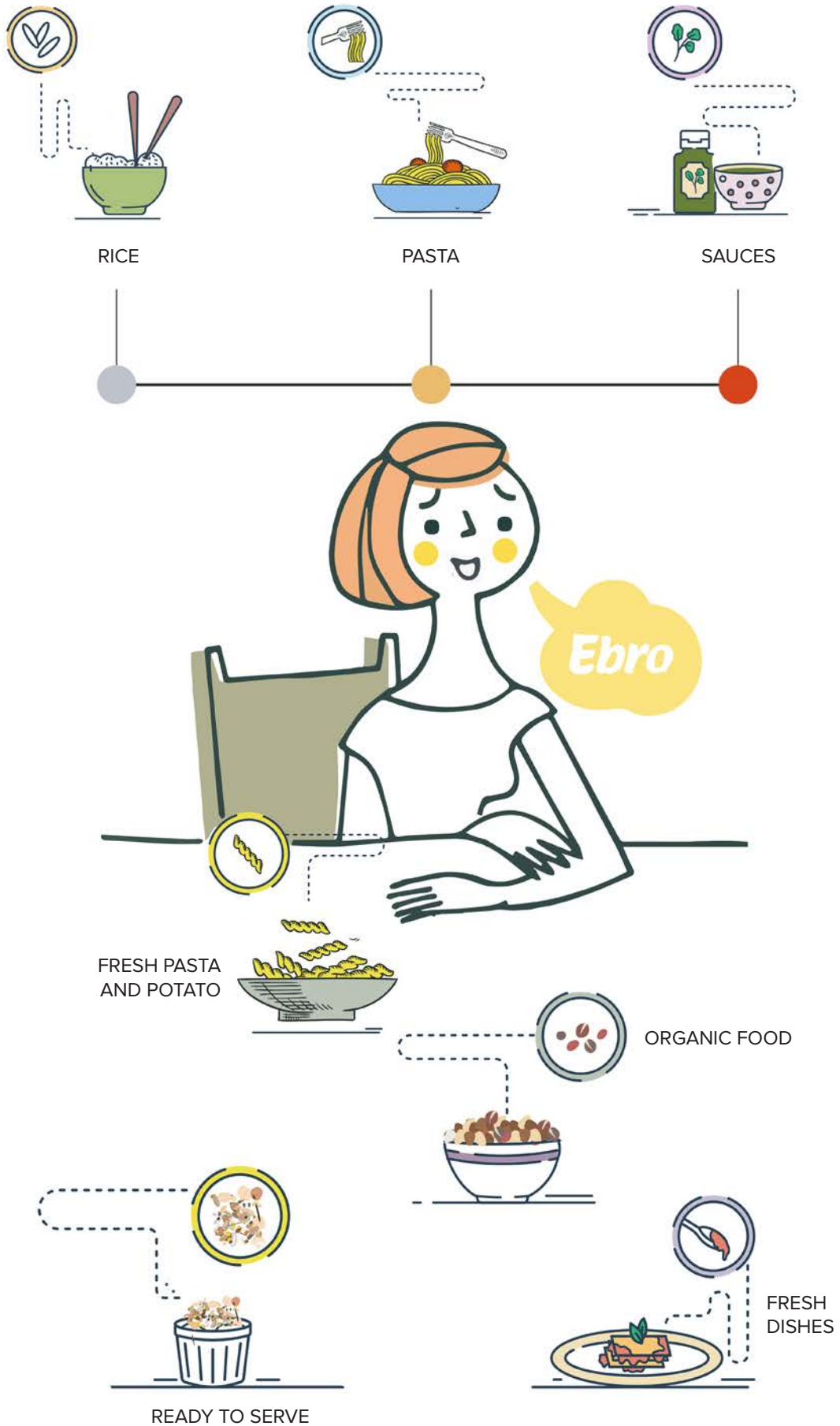


BUSINESS AREAS

- Consolidated group *Pag 39*
- Rice *Pag 43*
- Pasta, sauces and others *Pag 46*



BUSINESS AREAS



GENERAL OVERVIEW

The trend in the world economy shifted during 2019. In contrast to the strong growth of previous years, albeit with variations (owing to the different paces between the economies of Europe, United States, China and its neighbouring countries, and the other developing countries), a reversal of trend has been generally patent since the first quarter of 2019, and even though the global GDP maintained a growth rate of around 2.4%, a clear slowdown has been observed. The confidence indicators declined, especially in some of the stronger exporting economies, as trade wars and uncertainty caused by other geopolitical problems appeared on the horizon, such as Brexit, the conflict with Iran, wars and immigration.

The slowdown affected everyone, including the United States, which began to show signs of exhaustion once the effect had worn off of the greatest tax cut in its history, which had strongly boosted consumption and certain sectors of production and established the conditions for a lowering of the Federal Reserve rates.

That situation has been further aggravated in 2020 with the worldwide health alert caused by the coronavirus, which has been threatening the world with a global crisis since February owing to the practical shutdown of the nations with the highest numbers of infections.

OVERVIEW OF CONSUMPTION

The consumption patterns mentioned in previous reports were maintained, shaped by:

1. MORE PERSONAL CONSUMER EXPERIENCE

Consumers now have greater decision-making capacity, more information and more shopping tools, and they are willing to pay more for products they can relate to. This personalisation is associated with:

- Demand for quality products that are easy to prepare and immediately satisfy their wishes.
- Preference for natural, healthy, organic products. The increased consumption of fresh products and the importance given to small companies and start-ups that make consumers feel in touch with nature are very much in tune with this sentiment.
- Search for sustainable products corresponding to the circular economy that include different players in their preparation and sale.
- Desire for a greater choice. Quality private label brands have broadened their customer base, spanning practically all social classes and segments of population.

2. SOCIAL CHANGES

- Aging of the population, increased power of older generations. The baby boomers have transformed this segment of the population, which have greater purchasing power and different needs and aspirations (activity and health) from those traditionally relating to this social group.
- Smaller families, with a constant growth in single-member households; new formats and customised goods and services.
- The younger generations are more concerned about sustainability and the environment.
- Increased mobility and immigration in many developed countries, accompanied by new tastes and ways of cooking.

3. CONNECTIVITY

The relentless penetration of mobility in internet access (more than 4 billion people with access to internet at year-end 2019, a very significant percentage of them via mobile or tablet) makes shopping faster and more universal. This, 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 or crossing the last mile barrier in distribution, etc.).

4. NEW CHANNELS AND SERVICES

- Growth of local supermarkets, with more frequent shopping and increased availability (24-hour opening, alliances with filling stations or other high-traffic points).
- Consolidation of new virtual players (such as Amazon) on the distribution market along with the new consumer trends and the use of technology.
- New ways of cooking or consuming food (by order, through vending machines, snacks as meal substitutes, etc.).

All these changes have brought new challenges for distributors and manufacturers, 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.

Finally, at the date of issuing this report, we are uncertain how the coronavirus pandemic will affect the economy overall and consumer behaviour.

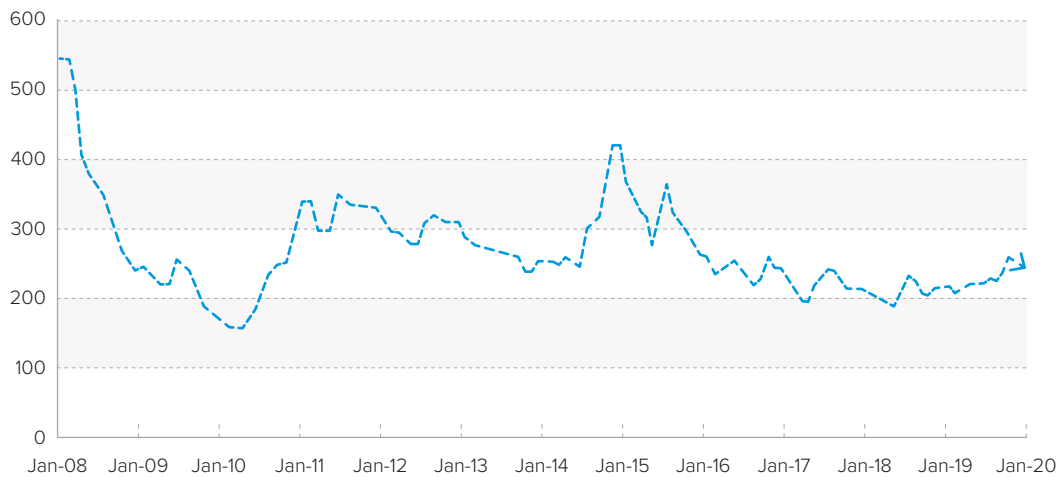
COMMODITY MARKETS

There were no significant changes in the World Bank Commodity Price Index at the beginning of the year, but there was a downturn in the second half of the year. The international tensions arising repeatedly and the economic slowdown hit fuel prices particularly hard (underpinned only by the supply disruptions following the attacks on oil facilities in Saudi Arabia), dragging metal prices down with them.

The grain prices included in the Index (wheat, maize, soybeans and rice) have maintained a downward trend over the year, thanks in part to the favourable weather conditions that promised good harvests in the wake of recent years.

In particular, durum wheat prices have maintained the stability of previous crop years, with a slight upturn following the summer harvest when certain quality deficiencies were detected in some sources that could affect carryover stock.

DURUM WHEAT PRICES €/TM

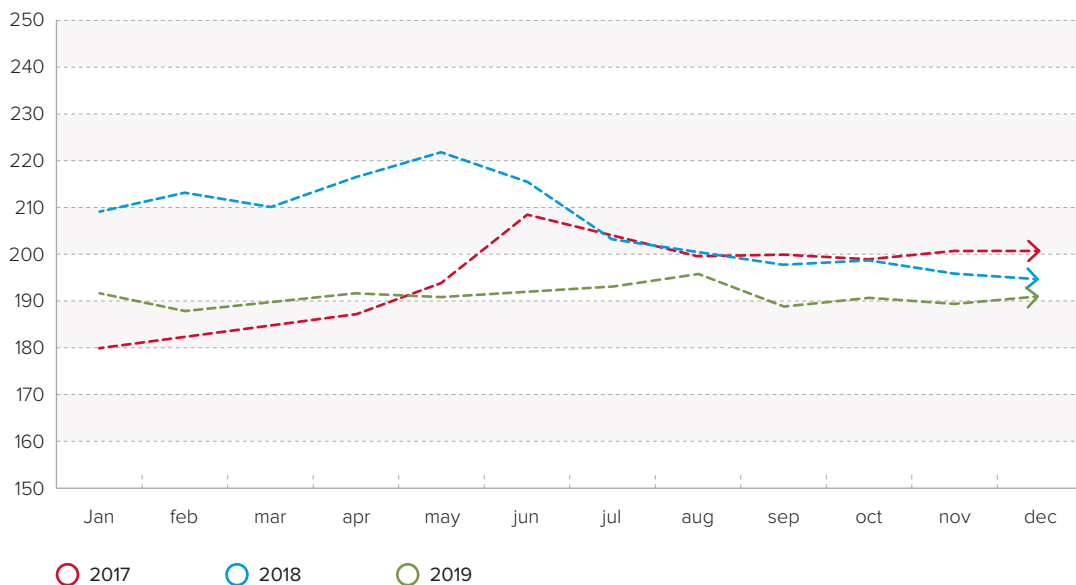


Source: Terre.net and own compilation

The 18/19 rice campaign and the 19/20 forecasts follow the trend of earlier years, with record harvests. According to data published by the Food and Agriculture Organization (FAO), production of the 2019 campaign is estimated at 512 million tonnes of white rice equivalent, practically on a par with the previous year and at record levels. Crop prospects are especially good in India, offsetting declines in other rice-producing countries, such as Thailand.

The evolution of the international rice price index for the past three years can be seen in the following graph, which shows the average prices of the highest-consumption varieties:

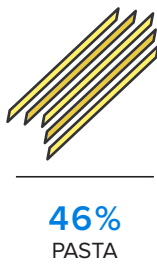
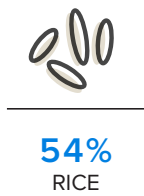
IPO RICE PRICE INDEX



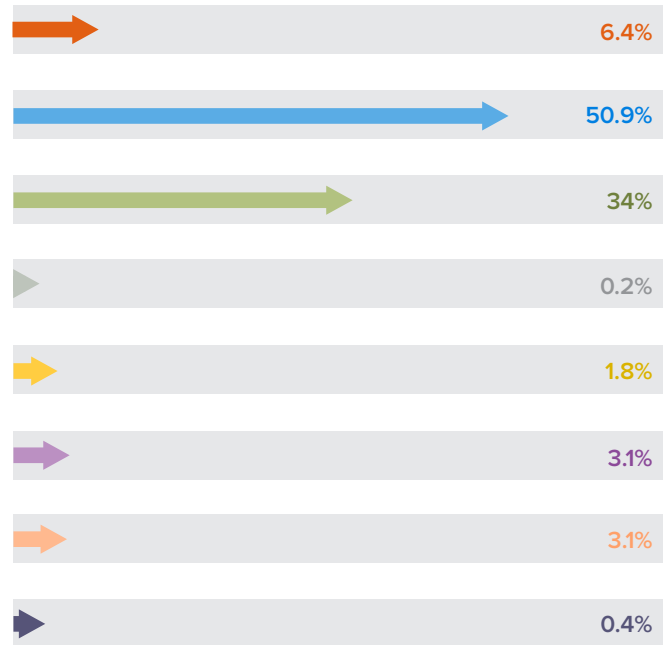
So stability prevailed in international prices, as shown in the graph. The price of American long grain rice fell over the crop year that ended in the summer of 2019 in some origins that are important owing to their impact on the global market. As a result, a smaller area was sown, producing a reduced output in this crop year. This may push prices up, although the impact will not be excessive thanks to the good harvest in other sources. Finally, aromatic rice prices remained stable, with the possibility of a slight reduction in 2020.

CONSOLIDATED GROUP

SALES BY BUSINESS AREAS



SALES BY GEOGRAPHICAL AREAS

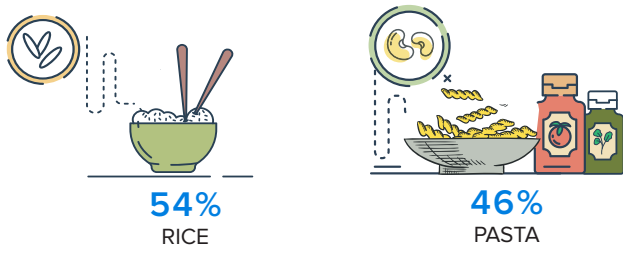



2,813.3 Mill€

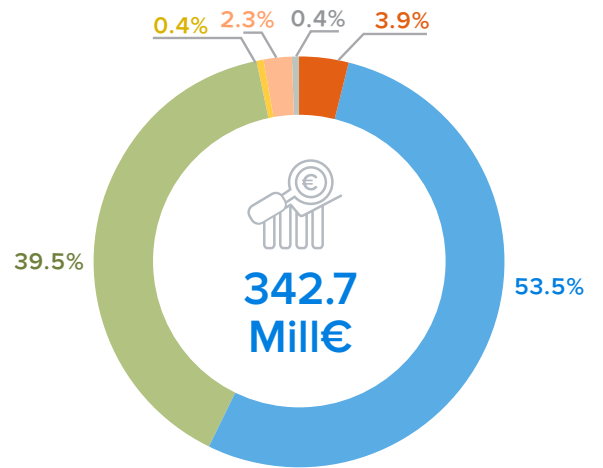
● SPAIN
 ● REST OF EUROPE
 ● NORTH AMERICA
 ● SOUTH AMERICA
 ● AFRICA
 ● MIDDLE EAST
 ● ASIA
 ● REST



EBITDA-A BY BUSINESS AREAS

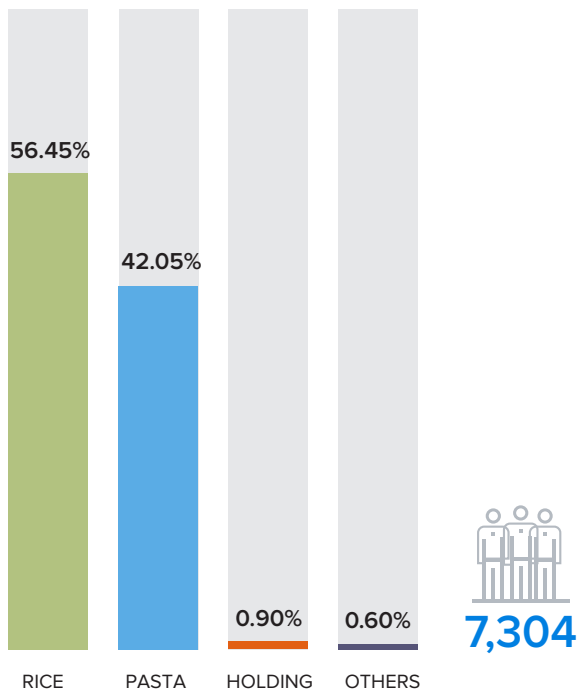


EBITDA-A BY GEOGRAPHICAL AREAS



● SPAIN
 ● REST OF EUROPE
 ● NORTH AMERICA
 ● SOUTH AMERICA
 ● AFRICA
 ● ASIA

AVERAGE HEADCOUNT EMPLOYEES



The most significant metrics of the Group are shown below (the amounts from 2017 and 2018 have been adjusted, stripping out the results of the discontinued organic business):

PROFIT AND LOSS						
	2017	2018	2018/2017	2019	2019/2018	CAGR 2019-2017
Revenue	2,473,381	2,613,947	5.7%	2,813,298	7.6%	6.7%
Advertising	(92,551)	(89,014)	3.8%	(91,477)	(2.8%)	(0.6%)
As a % of revenue	(3.7%)	(3.4%)	3.8%	(3.3%)		
EBITDA-A	354,884	307,468	(13.4%)	342,726	11.5%	(1.7%)
As a % of revenue	14.3%	11.8%		12.2%		
EBIT-A	276,784	220,131	(20.5%)	231,085	5.0%	(8.6%)
As a % of revenue	11.2%	8.4%		8.2%		
Profit before tax	263,035	211,721	(19.5%)	198,478	(6.3%)	(13.1%)
As a % of revenue	10.6%	8.1%		7.1%		
Income tax	(33,828)	(63,036)	(86.3%)	(64,233)	(1.9%)	37.8%
As a % of revenue	(1.4%)	(2.4%)		(2.3%)		
Profit for the year from continuing operations	229,207	148,685	(35.1%)	134,245	(9.7%)	(23.5%)
As a % of revenue	9.3%	5.7%		4.8%		
Net profit	220,600	141,589	(35.8%)	141,752	0.1%	(19.8%)
As a % of revenue	8.9%	5.4%		5.0%		

STATEMENT OF FINANCIAL POSITION					
	31-12-17	31-12-18	2018/2017	31-12-19	2019/2018
Equity	2,074,637	2,162,334	4.2%	2,262,203	4.6%
Net debt	517,185	704,621	(36.2%)	999,849	(41.9%)
Average net debt	426,042	627,350	(47.3%)	871,658	(38.9%)
Leverage (3)	20.5%	29.0%		38.5%	
TOTAL ASSETS	3,663,133	3,834,069	4.7%	4,374,073	14.1%
	31-12-17	31-12-18	2018/2017	31-12-19	2019/2018
Average working capital	506,803	588,403	(16.1%)	643,139	(9.3%)
Average capital employed	1,678,670	1,805,986	(7.6%)	2,080,166	(15.2%)
ROCE-A (1)	16.6	12.3		11.1	
Capex (2)	120,671	138,930	15.1%	148,705	7.0%
Average headcount	6,344	7,153	12.8%	7,522	5.2%

(1) ROCE-A = Average profit after D&A but before tax for the last 12 months (excluding extraordinary/non-recurring items) divided by average capital employed

(2) Capex = Cash outflows for investment purposes

(3) Leverage = Ratio of average net interest-bearing debt to equity (excluding non-controlling interests)

Revenue grew 7.6% year on year. The incorporation of Bertagni's full-year results contributed an extra €20 million to revenue, while the most recent incorporation of the Tilda Group (end-August 2019) contributed €56 million.

Europe slightly increased its weight in the total turnover with the latest acquisitions (Tilda, Bertagni), both in this region, while the distribution of types of business activity is still very balanced, rice now accounting for 54% of the total.

2019 was clearly a year of recovery in terms of **cash generation, EBITDA-A**. After successfully overcoming the numerous challenges we mentioned in last year's report, EBITDA-A was up 11.5%, to €342.7 million. The exchange rate effect contributed €6.9 million; the change in accounting practices following application of IFRS 16 contributed a further €13 million; and the Tilda Group, recently acquired, contributed €6 million as from September. Organic growth occurred especially: (i) in the US rice business, which had been hard hit in the previous year, and (ii) in the spectacular performance of Bertagni.

Profit before tax eased down, owing to greater depreciation/amortisation in the past two years deriving from: (i) acquisitions of companies, (ii) heavy investment in CAPEX in recent years, and (iii) an increase in non-recurring expenses.

The **tax expense** remained practically stable with a higher average rate, mainly because it has been considered convenient not to recognise the tax credit deriving from certain tax losses obtained in 2019 in some countries in which the Group operates, owing to the uncertainty as to whether it will be possible to utilise them within a reasonable time.

The **Net Profit** is in line with the previous year, after adding into the profit on continuing operations the capital gain obtained on our divestment in the organic business, as explained in the Annual Accounts.

The **ROCE-A** has fallen to 11.2%, pending a significant impact of the investments made on the return on assets.

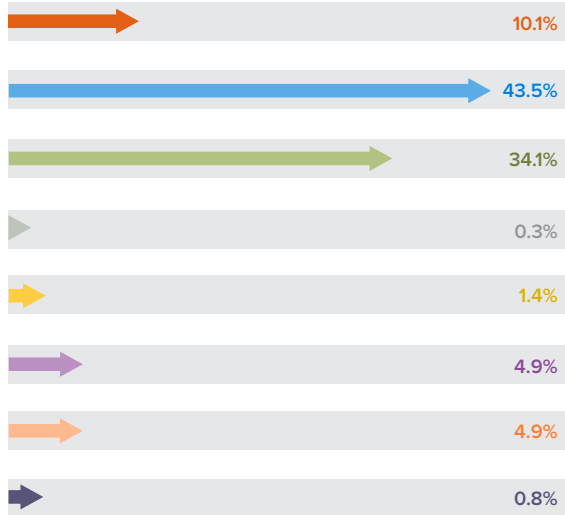


RICE DIVISION

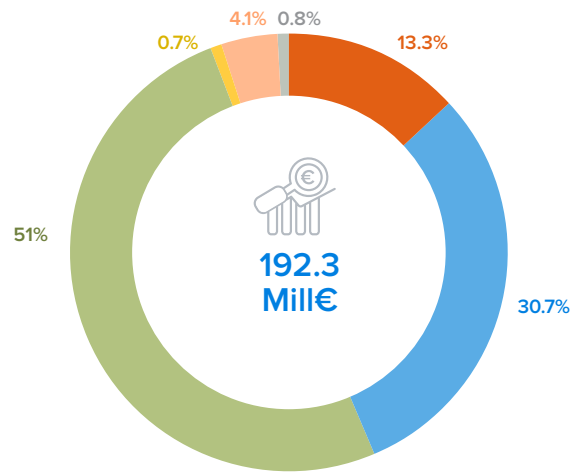
SALES BY GEOGRAPHICAL AREAS



1,566.2 Mill€

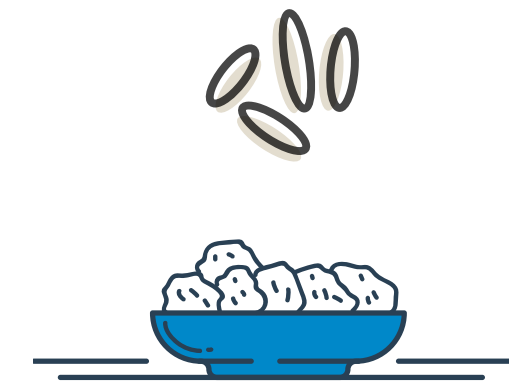
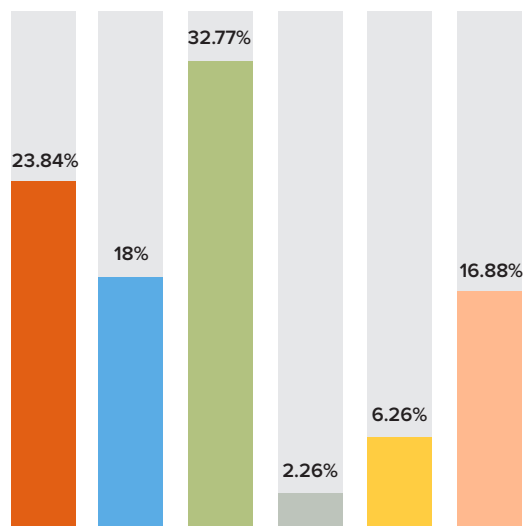


EBITDA-A BY GEOGRAPHICAL AREAS



AVERAGE HEADCOUNT EMPLOYEES

4,024



- SPAIN
- REST OF EUROPE
- NORTH AMERICA
- SOUTH AMERICA
- AFRICA
- MIDDLE EAST
- ASIA
- REST

PROFIT AND LOSS

(000€)	2017	2018	2018/2017	2019	2019/2018	CAGR 2019-2017
Revenue	1,345,026	1,412,702	5.0%	1,566,239	10.9%	7.9%
Advertising	(28,088)	(26,969)	4.0%	(33,010)	(22.4%)	8.4%
EBITDA-A	205,988	162,065	(21.3%)	192,263	18.6%	(3.4%)
EBIT-A	172,522	123,990	(28.1%)	143,060	15.4%	(8.9%)
Operating profit	174,027	125,392	(27.9%)	134,445	7.2%	(12.1%)
Capex	65,807	64,583	(1.9%)	75,160	16.4%	6.9%

The prices of the principal rice varieties remained stable during the year, while those of the long-grain varieties from Vietnam and Thailand fell.

US harvest prices fell in long-grain rice owing to the excellent 18/19 harvest. As usual, those lower prices have led to the sowing of a smaller area in the following year and the likelihood of an upturn in prices, which was already apparent in the first prices charged since year-end 2019.

US HARVEST PRICES (source: USDA)

August-july

\$-CWT	19/20 (*)	18/19	17/18	16/17	15/16
Average price	13	12.6	12.9	10.4	12.2
Long grain	12	10.8	11.5	9.64	11.2
Medium grain	16.1	18.5	16.2	12.9	15.3

(*) Estimated range

Division revenue showed strong growth, due partly to the incorporation of the Tilda Group, which contributed €55.6 million in four months, plus the application of new prices and promotions run at the beginning of the previous year in the rest of the business and the average exchange rate effect over the year, down from US\$1.18 to US\$1.12 per euro, with a result of €31 million.

The upward trend in microwave rice sales continued, with double-digit growth, confirming it as one of the Group's principal ventures. To meet this demand, the enlargement of the facilities for this product at the Memphis factory was completed in 2019 and investment commenced at the new plant in San José de la Rinconada. Another product that consolidated its success again in 2019 is Brillante Sabroz, also posting double-digit growth in Spain. The Spanish market overall grew by 3.2% in volume (Nielsen 52 weeks) and the Group holds on to its clear leadership outside private label.

EBITDA-A grew by 18.6% year on year thanks to: (i) the new incorporation of Tilda, which contributed €6.1 million in four months, (ii) the impact of the new legislation on leases (€4 million) and (iii) a positive exchange rate risk of €5 million. This takes us almost back to the level reported in 2017, after an especially difficult 2018 in the United States that led to the restructuring of production at one of our plants (Freeport) and absorbing the general inflation in prices and, especially, in personnel and logistics.

Even so, the profit on the US rice segment in 2019 was slightly lower than in 2017, due to: (i) problems in the internal logistics of certain products (gluten free) that share a line with other products at the Memphis plant and (ii) teething problems in August and September at a new logistics warehouse covering the northwest of

Spain, which caused delays and required adjustments in the distribution networks for some deliveries. Once those issues have been overcome, we expect to have an especially solid foundation to continue growing.

The contribution to EBITDA-A by our non-American business, excluding the Tilda Group, is distributed among the different regions as follows:

(000€)	2017	%	2018	%	2019	%
Spain	28,382	32.6%	30,902	34.8%	25,471	28.7%
Europe	48,577	55.7%	47,779	53.8%	52,520	59.3%
Other	10,210	11.7%	10,143	11.4%	10,644	12.0%
TOTAL EBITDA-A	87,169	100.0%	88,824	100.0%	88,635	100.0%

The distribution is similar to the previous year, although profitability is higher in the rest of Europe, due to: (i) a very good performance of organic rice varieties, (ii) the growth in pulses incorporated in recent years that are classified in this segment and (iii) the excellent development of the frozen rice and pasta businesses in Europe.

Lower profit levels are obtained in Spain, due to: (i) certain costs incurred in the production of cups accompanying the restructuring process of these product lines and (ii) a slight rise in the cost of certain rice varieties that had reported higher-than-usual profit margins in the previous year. The new Rinconada factory will have better productivity levels when it is put back into operation.

Several investments were made in Argentina during 2019, making that country an important source of organic rice that can make up supplies of varieties similar to those produced in Spain in the event of drought or increased salinity in this country. The Group has also invested in new facilities in southeast Asia to increase our sourcing capacity for long-grain rice varieties and meet the ever more stringent requirements regarding pesticide and fungicide residues.

The **Operating Profit** was in line with the previous margins, with a slight increase in the depreciation and amortisation charge linked to investments made in recent years and a greater outlay in non-recurring operations related with the restructuring and launching of activities in the USA and Europe.

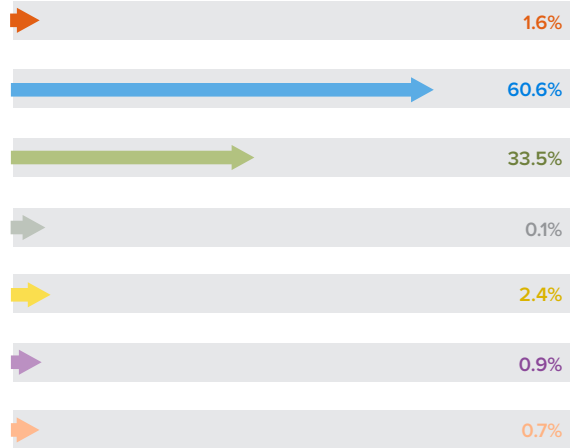
Investment in fixed assets remained at very high levels, especially in business lines with a high growth potential. The principal investments (**CAPEX**) made in this division correspond to: (i) commencement of the work on the new microwave cup factory in Spain, (ii) expansion of capacity in the United States and (iii) commencement of work on a new pulse-based ingredients plant.

PASTA DIVISION

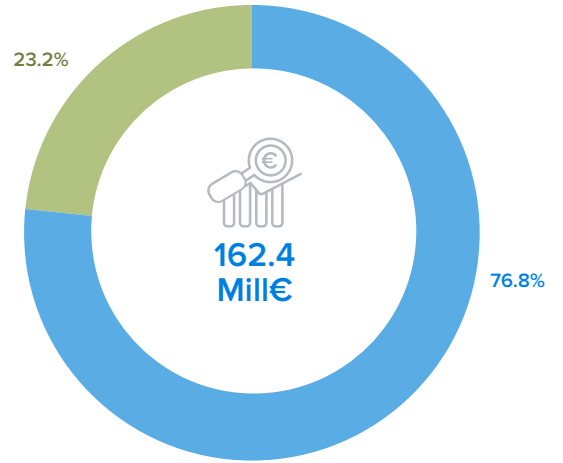
SALES BY GEOGRAPHICAL AREAS



1,311.9 Mill€



EBITDA-A BY GEOGRAPHICAL AREAS



AVERAGE HEADCOUNT EMPLOYEES

3,071



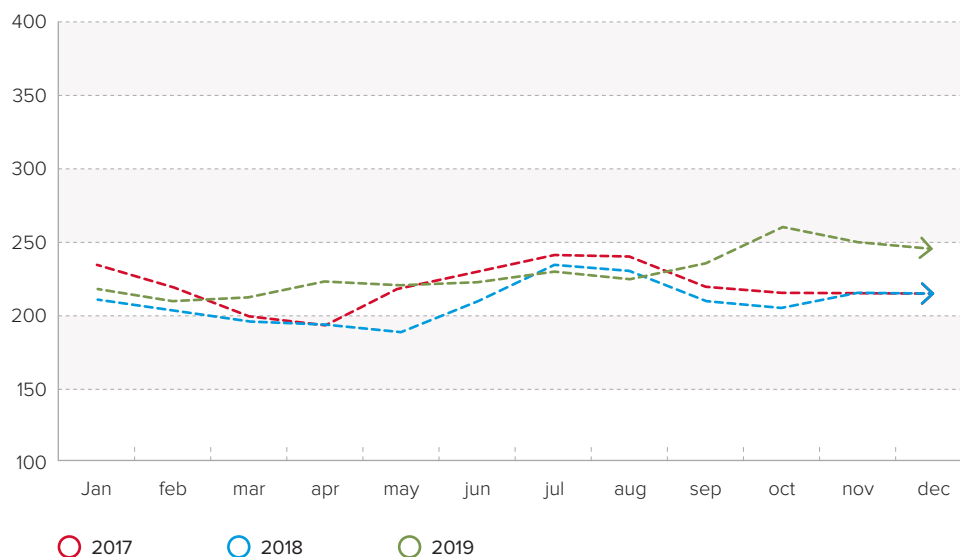
- SPAIN
- REST OF EUROPE
- NORTH AMERICA
- SOUTH AMERICA
- AFRICA
- MIDDLE EAST
- ASIA

PASTA DIVISION

PROFIT AND LOSS						
(000€)	2017	2018	2018/2017	2019	2019/2018	CAGR 2019-2017
Revenue	1,184,816	1,265,970	6.8%	1,311,925	3.6%	5.2%
Advertising	(65,571)	(62,688)	4.4%	(60,404)	3.6%	(4.0%)
EBITDA-A	158,861	153,156	(3.6%)	162,419	6.0%	1.1%
EBIT-A	114,890	104,532	(9.0%)	101,481	(2.9%)	(6.0%)
Operating Profit	100,604	97,834	(2.8%)	90,106	(7.9%)	(5.4%)
Capex	52,855	73,946	39.9%	71,772	(2.9%)	16.5%

Durum wheat prices remained stable up to the summer of 2019. They rose as from the beginning of the new crop year, as the harvest was of a slightly lower quality in Europe. However, the situation stabilised by the end of the year.

DURUM WHEAT PRICES EUR/MT



Source: Terre.net

Revenue grew by 3.6%, pushed up by the full-year results of Bertagni, of approximately €20 million, and a further €20 million in organic growth of this company. The evolution of the US dollar exchange rate also had a positive effect on revenue, calculated at €13 million.

The evolution by regions was as follows:

- In France, the brand markets were stable or declining, except for fresh pasta, which registered a year-on-year growth of 4.9% with continued success of skillet gnocchi, which increased its volume of sales by 10.5% p.a.
- Garofalo maintained its growth in sales revenue and volume. Its principal brand recorded a 3.9% growth in volume and increased its share of the premium pasta market in Italy to 5.5% in volume, from 5.3% the previous year (source: Nielsen 52 weeks). The sale of fresh pasta commenced in some markets, seeking to obtain a maximum ROI on launching with a 32% year-on-year growth in volume.

- Bertagni deserves special mention, in view of its enormous success right from its incorporation, pushing up full-year sales revenue by 20%, increasing its customer base and expanding its product range, both in products sold under its own brand and in its speciality of reaching agreements with distributors to build up their private label premium fresh pasta.
- The United States market has been flat and the Group's market share receded slightly to 18% in both volume and revenue. The segment of healthy pasta categories, in which our brands are especially sensitive, became more complex.
- In Canada, the dry pasta market grew in both volume and revenue and the Group's brands raised their market share to 30.5% and 37.3%, respectively (Nielsen 52 weeks), outgrowing all the other players on the market.

On the fresh pasta market, we maintain a healthy growth of 5.3% in volume and 6.5% in revenue, and Olivieri maintains its leadership with a market share of 46.5% (in volume), underpinned by innovation and, especially, the gnocchi segment, with the highest growth in this category. The skillet gnocchi line is now fully operational.

The division achieved an upturn of 6% in **EBITDA-A**, with a year-on-year growth of €7 million, mainly thanks to Bertagni, for both the contribution of a full year and its internal growth in revenue. The impact of applying the new legislation on leases is calculated at €8 million and the positive exchange rate effect at €1 million.

By segments, the United States' contribution to pasta revenue improved, since despite unsatisfactory sales performance, part of the inflation and infrastructure problems hampering the rice business also affected this business and once they had been largely remedied, the profitability of the pasta business also improved.

There has been no significant change in the contribution by Canada, which still makes a negative contribution in the fresh pasta segment where, despite its improved efficiency and leading changes in the market with the introduction of totally new products such as skillet gnocchi, there is fierce competition for shelf space.

There are no material changes in year-on-year results in France, where the subsidiary Roland Monterrat is still experiencing difficulties due to the harsh competition in its main business of the production and sale of sandwiches. The company has overcome the problems deriving from the new rules on promotions brought in by the French government, which brought a challenge to the negotiations with some important distributors, who continue their efforts to reduce the number of brands on the shelves, giving priority to their own brands.

Finally, Garofalo made a smaller contribution than in previous years due to: (i) some tension on the commodity markets deriving from the obligation in Italy to state the origin of the durum wheat used to make the pasta, (ii) a significant investment in growth, (iii) the enhancement of its international dry pasta platform and the new fresh pasta platform and (iv) the warehouse tensions deriving from the enlargement of its production and storage capacity at the Gagnano plant.

The **Operating Profit** followed the trend of the above-mentioned margins, but it was comparatively better year on year, as the previous year's results included a non-recurrent expense incurred in making provisions for downturns in some of the North American brands.

CAPEX was concentrated in: (i) the investment in a logistics warehouse for the pasta business in France, (ii) the new dry pasta line and enlargement of the facilities at the Garofalo planta and (iii) completion of the facilities for new gnocchi lines.