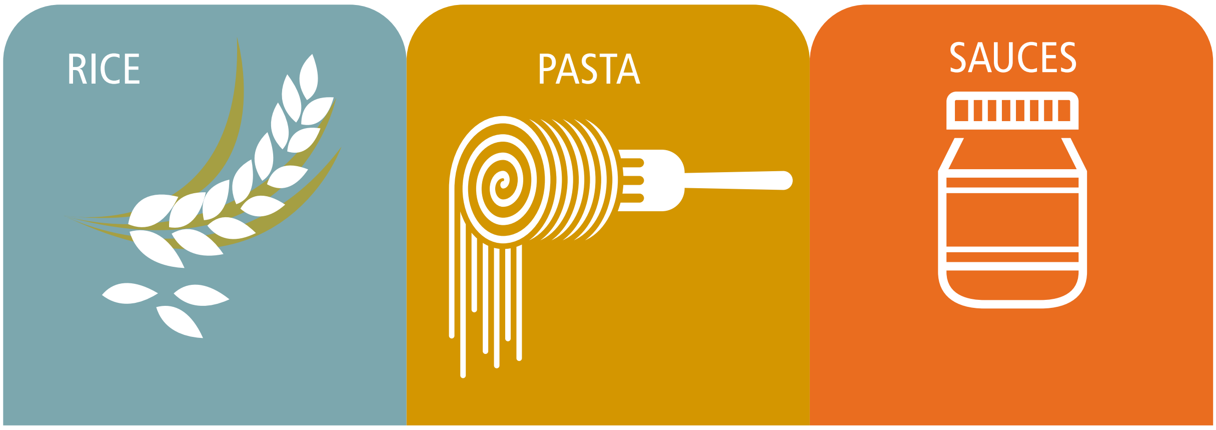
CONSOLIDATED GROUP

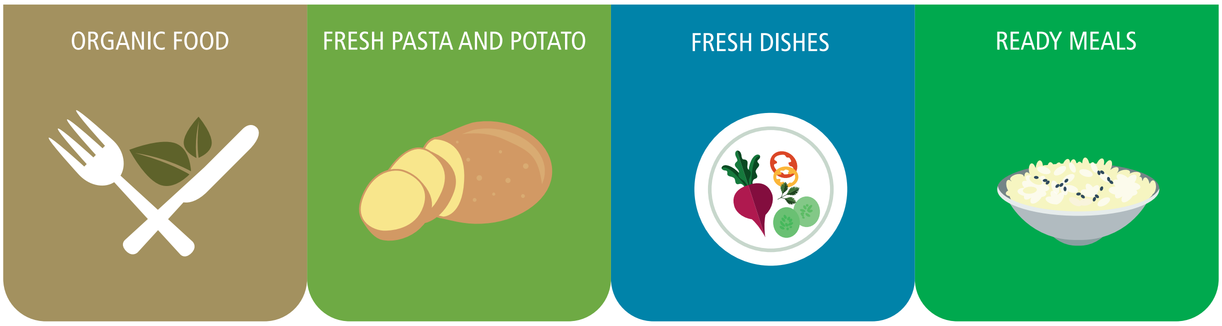
RICE

PASTA

Core Business



Other Businesses



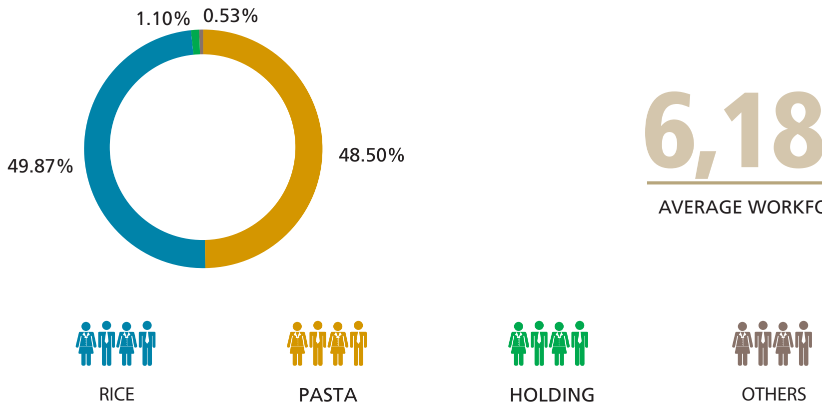
The core businesses of Ebro Foods are rice, pasta and sauces. Within these areas, Ebro develops its business model with the different technologies: dry, fresh, pre-cooked and frozen.

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



6,184

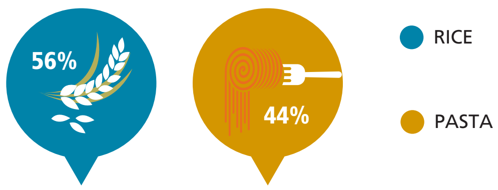
AVERAGE WORKFORCE

BREAKDOWN OF GROUP SALES

2,459.2

SALES (MILL.€)

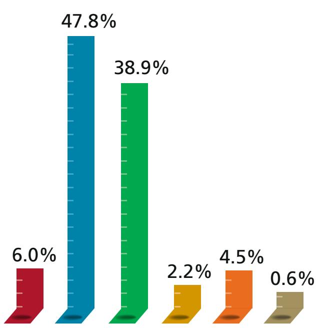
BREAKDOWN OF GROUP EBITDA



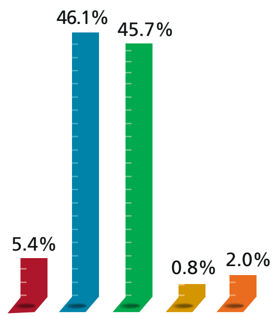
344.1

EBITDA (MILL.€)

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.