CONSOLIDATED GROUP

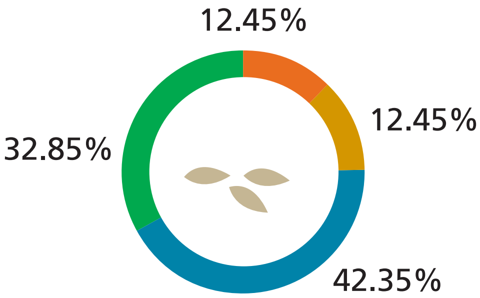
RICE

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.

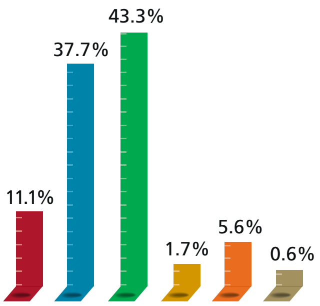
BREAKDOWN OF GROUP WORKFORCE BY GEOGRAPHICAL AREAS



3,084

AVERAGE WORKFORCE

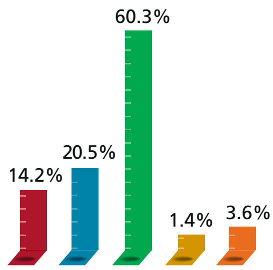
BREAKDOWN NET SALES OF RICE DIVISION BY GEOGRAPHICAL AREAS



1,283.8

SALES (MILL.€)

BREAKDOWN EBITDA OF RICE DIVISION BY GEOGRAPHICAL AREAS



196.2

EBITDA (MILL.€)

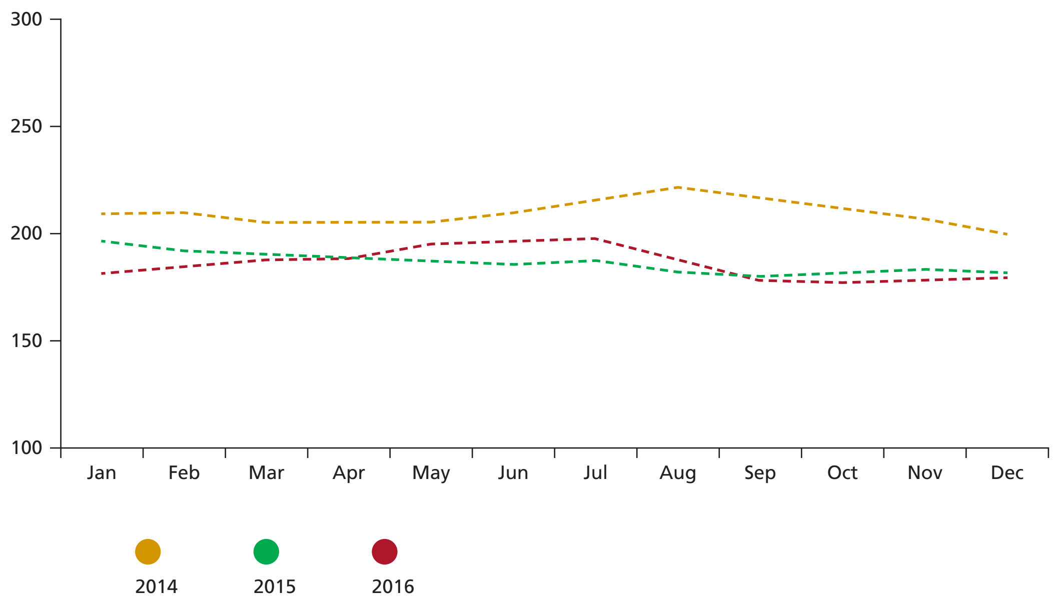
SPAIN EUROPE NORTH AMERICA AFRICA ASIA OTHERS

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).