



BUSINESS MODEL



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DEFINITION OF THE MODEL

The Ebro Foods Group is the leading Spanish food group. It is present through its subsidiaries in the rice, pasta and sauces markets in Europe, North America, Africa and Asia.

The Group decentralises certain management areas of each business, focusing on the business with a light, dynamic structure in which functionality, coherence and knowledge of the market prevail over individuals. All the companies in the Group report to the holding Ebro Foods, S.A., which aims to lead, coordinate and further the development of the Group. Its strategy is to provide healthy eating solutions for consumers, achieving brand differentiation through innovation and the development of new formats and products.

The Ebro Foods Group is managed by business segments, grouped by the type of activity they perform and their geographical location. Our two core businesses are:

Rice Business: This includes the production and distribution of rice, rice-based products and complementary food products. It engages in industrial and branding activities under a multi-brand model. Its presence spans Europe, the Mediterranean Basin, India and Thailand with the Herba Group companies and covers North America, Central America, the Caribbean and the Middle East through the Riviana Group and its subsidiary American Rice (ARI).

Pasta Business: This includes the production and marketing of fresh and dry pasta, sauces, semolina, semolina-based products and complementary food products. The companies involved in this business are the New World Pasta Group in North America and the Panzani Group and Garofalo in the rest of the world, although mainly in France and Italy, respectively.

The basic raw materials used in the production of the products marketed by the Group are rice and durum wheat.

Rice is the world's most consumed grain, although the volume of world trade is smaller than that of other grains and cereals owing to the production shortfalls in some of the largest producers (China, the Philippines and Indonesia). The origins of the rice marketed by Ebro vary according to the type of grain and the quality/abundance of harvests. There are three major sources of supply for different rice varieties: USA, southern Europe and South East Asia.

Pasta is produced from a variety of wheat with a high protein content, called durum wheat, which has a much smaller geographical distribution and market than other varieties used mainly for flour production. Ebro sources its rice mainly in north USA and Canada and in southern Europe (France, Spain and Italy).

Purchases are made from farmers, cooperatives and milling companies. They provide the basic raw material, which is then milled and/or processed at the Ebro Group's production plants. Processes differ depending on the ultimate use of the product, ranging from cleaning, milling, polishing and basic extrusion to complex processes of pre-cooking, cooking and freezing.

STRATEGY

The Group aims to be an important player on the rice and pasta markets and in cross-cutting categories known as meal solutions. The company sets its sights on a global position in a highly inter-related world and on leading innovation in the geographical areas in which we operate, being open to the incorporation of related products, such as value-added pulses and noodles.

We base our strategy on a number of levers we consider essential to increase the value of the business. These levers are reflected in our three-year Strategic Plans:



1. Organic and inorganic growth in high-consumption countries and the search for opportunities in developing countries with a high growth potential

- Moving into new territories or categories: crisps, omelettes, new fresh products and new ranges of higher value-added ingredients.
- Development of products that offer a complete culinary experience, extending the catalogue with new formats (maxi cups...), flavours (cup and sauce ranges) and preparations (rice and pasta dishes for the frying pan, SOS dishes...)
- Taking up leading positions in the healthy foods area, through new concepts based on ancient grains, gluten free, quinoa, whole-grain, fibre, vitamins, minerals, etc.
- Expanding our geographical presence and completing our product/country matrix:
 - Search for business opportunities to redesign our offer in geographical areas with a specific target: market size of 50-100 million inhabitants, with a developed or developing retail sector, medium-high per capita incomes and a way of doing business similar to ours.

- Branch out into new markets (India, Middle East, Eastern Europe and black Africa)

- Extend successful formulas to other countries in which we are already present (fresh products).

2. Differentiation and innovation. The Ebro Foods Group is firmly committed to investment in products along two lines:

- Research, development and innovation (R+D+I). Through four research, development and innovation centres of our own and an investment policy with which new ideas can be developed into real products for our clients.
- Support for leading brands in our segment of activity, investing in advertising to underpin their development.

3. Low risk exposure. Recent years have been marked by increased instability on the commodity markets and ever-faster changes in consumption patterns. The Ebro Group faces these challenges with a firm vocation to adapt to change and maintain its market positions. To achieve this, it keeps on an even keel with recurring income sources (markets, currencies), low leverage to be able to grow without exposure to financial turmoil, new supply channels and long-term relationships with stakeholders (customers, suppliers, authorities, employees, society).

VALUE CREATION: R+D+I

The Ebro Foods Group has always been a step ahead of new consumer trends and an international benchmark in the research and development of products for the food sector. Aware that R+D+I is essential for developing its quality and differentiation strategy, the company maintained its firm commitment in 2014.

The total expenditure in this area during the year was €4.3 million, between internal resources (€2.8 million) and external resources (€1.5 million).

Investment totalled €20.2 million, mostly in gluten-free products, fresh pasta and frozen pasta portions, accounting for €18.4 million, the remainder corresponding essentially to new manufacturing processes or processing methods.

The Group has built up its R+D+I activities at research centres in France, USA and Spain. These centres and the principal projects developed during the year are described briefly below:

1. CEREC, in St. Genis Laval (France), with 9 employees, focuses its activities within the pasta division, developing its range of fresh pasta, potato, fresh pre-cooked dishes and sauces. Its activities in 2014 were directed at broadening the range of bolo balls sauces, new formats for tube and squeeze

sausages, repositioning of high quality fresh pasta *Triglioni* and the development and roll-out of *Croque* (sandwich).

2. CRECERPAL, in Marseille, with 8 employees in the raw materials and analysis laboratory and one collaborating doctor, focuses its research on the development of the durum wheat category, with dry pasta, couscous and new food processing technologies applied to cereals. During 2014 it increased its work on new applications for durum wheat flour, in batter, bread and pastries; new recipes for aromatic and spiced rice and enhanced quality of dry pasta products.

3. TECH CENTER (USA), with 5 employees engaged in developing new products, processes and technologies and adapting them for the US rice and pasta divisions. Its work has focused on completing the development and launching of a new Healthy Harvest® range called 'ancient grains', broadening the range of gluten-free products, rolling out low-calorie products and enhancing product efficiency and productivity with new or redesigned processes and the fine-tuning of new grain varieties for the Ready-To-Serve lines.

4. Herba Group centres in Moncada (Valencia) and the San José de la Rinconada plant, with 31 employees, engaged in the development of new and/or improved products and technologies and technical assistance in the areas of rice and rice-product technology for today's needs: fast-food and catering. The most important project in progress is the development of rice, cereal and pulse-based functional flour and ingredients to form the basis of an entirely new line of business.



PRODUCT INNOVATIONS DURING THE PERIOD 2013 - 2014

As a result of its R+D+I policy, the Group launches new products and concepts every year, which revitalize the categories in which it operates and meet and anticipate the needs of its customers and consumers.

During 2013 and 2014 the principal innovations launched by the Group in Spain, North America and France were:

GEOGRAPHICAL AREA	INNOVATION	YEAR LAUNCHED
Spain	SOS Integral con Quinoa y 4 cereales	2014
	SOS Platos	2013
	Brillante a la Sartén	2013
	Brillante Mix & Go	2013
	Brillante Vasito Arroz Integral con Quinoa	2014
France	Pâtes 1.4 KG	2013
	Pâtes Spécial Sauces	2013
	Pâtes en nids	2014
	Pâtes maxi	2014
	Riz Parfumé Taureau Ailé	2013
	Riz Lustucru basmati 5 mn	2014
	Sauce Tube Ail Oignon	2013
	Sauces Pesto Squeeze	2014
	Couscous Facile	2013
	Tortillas (Fresh)	2013
	Frites (Fresh)	2013
	Raviole à poêler (Fresh)	2013
	Trigioni (Fresh)	2014
	North America	Minute MGM 12/14 oz
Minute RTS BB&R 9.3 oz		2013
Minute RTS Fried Rice 2/4.4 oz		2013
Carolina LG 50 Lbs		2014
Mahatma/Carolina Basmati 5 lbs		2014
Blue Ribbon Viet Jasmine 20		2014
Mahatma/Carolina Black Beans & Rice		2014
Carolina MG 5#		2014
Ronzoni 150		2013
Ronzoni Tricolor		2014
San Giorgio Tricolor		2014
Prince Tricolor		2014
San Giorgio Oven Ready Penne		2014
Healthy Harvest Ancient Grains		2014
Ronzoni Gluten Free		2013