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BUSINESS MODEL

DEFINITION OF THE MODEL

The Ebro Foods Group is the leading Spanish food group. It is firmly established through its subsidiaries in the rice and pasta markets in Europe and North America and has a growing presence in other countries.

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.

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 by the New World Pasta Group in North America, the Panzani Group and Garofalo (rest of the world).

Decision-making is controlled by the Board of Directors, which is ultimately responsible for defining the Group's general strategy and management guidelines. The Board delegates certain tasks to the Executive Committee, including monitoring and oversight of compliance with the strategic and corporate development guidelines, while the Management Committee, on which the heads of the principal business areas are represented, is tasked with monitoring and preparing the decisions made at management level.



The basic raw materials used to manufacture the products marketed by the Group are rice and durum wheat, although other grains, such as quinoa and other ancient grains, are gradually being incorporated.

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.



MEMBERSHIP OF SECTOR ASSOCIATIONS AND INSTITUTIONS

Ebro Foods, S.A. and some of its subsidiaries belong to the following sector associations:

| COMPANY | ASSOCIATION | GEOGRAPHICAL AREA |
|-----------------------------|-------------------------------------------------------|-------------------|
| Herba Ricemills, S.L.U. | Federación de Molineros Europeos de Arroz (FERM) | Europe |
| Herba Ricemills, S.L.U. | Asociación Española de Codificación Comercial (AECOC) | Spain |
| Herba Ricemills, S.L.U. | Confederación de Empresarios de Andalucía (CEA) | Spain |
| Herba Ricemills, S.L.U. | Asociación Española de Anunciantes | Spain |
| Herba Ricemills, S.L.U. | Asociación de Industrias Arroceras Españolas (UNIADE) | Spain |
| Arrozeiras Mundiarroz, S.A. | Associação Portuguesa de Empresas de Distribuição | Portugal |
| Boost Nutrition, C.V. | Federation of Food Companies (FEVIA) | Belgium |
| S&B Herba Foods, Ltd. | British Edible Pulse Association (BEPA) | UK |
| S&B Herba Foods, Ltd. | Campden BRI | UK |
| S&B Herba Foods, Ltd. | Dried Fruit Trade Association | UK |
| S&B Herba Foods, Ltd. | Food & Drink Federation | UK |
| S&B Herba Foods, Ltd. | Rice Association | UK |
| Ebro India, Privated Ltd. | Rice Association | India |
| Lassie, B.V. | Association Ricemillers VRN | Netherlands |
| Mundi Riso, S.R.L. | Italian Rice Miller Association (AIRI) | Italy |
| New World Pasta | National Pasta Association | USA |
| Riviana Foods Inc. | U.S. Rice Federation | USA |

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 also has the following goals:

1. Achieve a global position in a highly inter-related world, being open to the incorporation of related products, such as value-added pulses and noodles.
2. Reaffirm itself as a benchmark business group in its different areas of activity.
3. Lead innovation in the geographical areas in which it operates.
4. And position itself as a sound, innovating, responsible company, committed to social well-being, environmental balance and economic progress.

To achieve these goals, the Group upholds sustainable growth as the cornerstone of its business management and develops a business model focusing on the generation of value for its employees, shareholders, investors, customers, suppliers, the media, communities in which it operates and, in short, all the stakeholders with which the Group interacts during or in connection with its business activities.

The Group strategy is thus based on a number of levers considered essential to increase the value of the business and on a number of principles of action comprising the company's commitment to sustainable development and its value chain.

PRINCIPLES OF ACTION

Regarding good corporate governance and ethical management of business:

- ❖ Foster ethical management based on good governance practices and fair competition.
- ❖ Comply with prevailing laws, taking a preventive approach at all times to minimise economic, social and environmental risks, including tax risks.

Regarding financial sustainability and long-term focus:

- ❖ Endeavour to obtain a return on investments while guaranteeing the operating and financial soundness of its activities.
- ❖ Ensure business profit as one of the bases for the future sustainability of the company and the large groups of agents operating directly and indirectly with it.

Regarding human capital management and talent development:

- ❖ Generate a framework of labour relations that favours training and personal and professional development, respects the principle of equal opportunities and diversity and promotes a safe, healthy working environment.

Regarding fundamental human rights:

- ❖ Fundamental and universal human rights must be construed and recognised in accordance with international laws and practices.
- ❖ All forms of abuse or violation of those rights among any of the stakeholders are rejected.

Regarding value generation for the community:

- ❖ Promote a relationship of mutual benefit with the communities in which the Group is present, sensitive to their culture, context and needs.



Regarding sustainability of the value chain:

- ❖ Make sure that sustainable social, economic and environmental standards are met throughout the entire life cycle of the Group's products.

Regarding customers:

- ❖ Meet and anticipate our consumers' and customers' needs, offering a broad portfolio of products and differentiated, healthy food.

Regarding environmental protection:

- ❖ Steer all the company's processes, activities and decisions towards protecting the environment, preventing and minimising environmental impacts, optimising the use of natural resources and preserving biodiversity.

Regarding stakeholders:

- ❖ Develop a framework of responsible, honest, transparent communication and dialogue with stakeholders, setting up perfectly identified stable channels of communication.

Regarding the rendering of accounts and transparency:

- ❖ Provide stakeholders regularly with transparent, rigorous, true information on the Group's activities.

GROWTH LEVERS**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, paying special attention to new fresh products (snacks, crisps, omelettes, sandwiches, ready meals) 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 prominent positions in the healthy and organic foods area, through new concepts based on ancient grains, gluten free, quinoa, etc.
- ❖ Establishing ourselves as leaders of mature markets by outperforming others in product quality. Expanding and leading the premium category. Developing the Garofalo brand.
- ❖ Expanding our geographical presence and completing our product/country matrix:
 - Search for business opportunities in mature markets with a business profile similar to ours and opportunities in specialist market niches (Rice Select, Monterrat, Celnat) through which we can shift in our strategy from a generalist position to that of a multi-specialist (individual solutions).
 - Branch out into new business niches in markets in which we are already present (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 and consumption needs 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 and 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 Group maintained its firm commitment in 2015.

The total expenditure in this area during the year was €4.9 million, between internal resources (€3 million) and external resources (€1.9 million).

Investment totalled €12 million, mostly in gluten-free products and fresh pasta, accounting for €9.8 million, the remainder corresponding essentially to new manufacturing processes or processing methods.

The Group has built up its R+D+I activities at different 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 10 employees, focuses its activities within the pasta division, developing its range of fresh pasta, potato, fresh pre-cooked dishes and sauces. Its activities in 2015 were directed at broadening the range of sauces with a gourmet touch and high quality, repositioning of high quality fresh pasta Triglioni and collaborating in the expansion of the Croque (sandwich) concept with the integration of Roland Monterrat.
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 2015 it increased its work on new applications for durum wheat flour in batter, bread and pastries; enhanced productivity in milling; and launching and expansion of the range of dry pasta with fresh pasta quality and gluten-free pasta.
3. TECH CENTER, in United States, 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 the gluten-free range (linguini, lasagne), enhancing the efficiency and productivity of pasta for baking and pasta with fibre, with new or redesigned processes, endorsement by the US authorities (FDA) of different grain varieties and new formulations for the Ready-To-Serve cups and reformulation of multi-grain and gluten-free products.
4. Herba group centres in Moncada (Española de I+D, Valencia) and the San José de la Rinconada plant, with 26 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, with a low glycaemic index or quick-cooking flour.



**R+D+I
PRINCIPAL
INNOVATIONS
DURING 2015**



SPAIN
Fallera Caldosos y Meloso



SPAIN
Brillante Lima & Albahaca



FRANCE
Imperial Basmati Taureau Ailé



FRANCE
Panzani XTRA beef



FRANCE
Lustucru Pan-fry tortellini
mushrooms & ham & cheese



FRANCE
Lustucru Menu Gourmand
Fusilli Chicken & cream 330g

SPAIN
Brillante Couscous



FRANCE
Panzani variante pesto



FRANCE
Panzani Qualité pâtes fraîches



FRANCE
Risotto 5minutes Lustucru



FRANCE
Lustucru Tortellini
Mozzarella blue cheese



FRANCE
Lustucru Menu Gourmand
Tagliatelles Carbonara 330g



FRANCE

3 rice BIB Lustucru



FRANCE

Lustucru Tortellini Ckicken & Cream 250g



FRANCE

Panzani Gourmet



NORTH AMERICA

Gluten Free Elbow



FRANCE

Lustucru Tortilla 200g



NORTH AMERICA

Ronzoni Ancient Grains



FRANCE

Pan-fry Ravioles goat cheese



NORTH AMERICA

Minute Basmati 12/14oz



FRANCE

Lustucru Ravioli Tartiflette 280g



NORTH AMERICA

Minute Jasmine 12/14oz



FRANCE

Lustucru Menu Gourmand Ravioles Ricotta & herbs 310g



NORTH AMERICA

Texas Skinner Pasta



More than forty new products

SPAIN

SOS Quinoa 100%

FRANCE

Lustucru Noodles

FRANCE

Panzani pulpe fine

NORTH AMERICA

Ronzoni Ancient Grains

