
BUSINESS
Model



BUSINESS MODEL

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DEFINITION OF THE MODEL

The Ebro Foods Group (“Ebro Foods”, the “Group” or the “Ebro Group”) is the leading Spanish food group, world leader in the rice sector and the second global fresh and dry pasta producer. It is present through a network of 31 subsidiaries in the principal rice and pasta markets in Europe, North America and South East Asia, and is gradually building up its presence in other countries.

The Group operates on a global level in 85 countries, with industrial and commercial establishments in 17 of them. In the remaining 69, we only engage in commercial activity. Our industrial park comprises some 64 sites, between production plants and warehouses.

COUNTRIES WITH COMMERCIAL AND INDUSTRIAL PRESENCE

Germany	Denmark	France	Morocco
Argentina	Egypt	Netherlands	Portugal
Belgium	Spain	India	United Kingdom
Cambodia	United States	Italy	Thailand
Canada			

COUNTRIES WITH ONLY COMMERCIAL PRESENCE

Angola	Slovakia	Kuwait	Czech Republic
Saudi Arabia	Estonia	Lebanon	Romania
Algeria	Finland	Libya	Russia
Austria	Gabon	Lithuania	Saint Martin
Bahamas	Ghana	Madagascar	Saint Lucia
Bahrein	Greece	Mauritius	Senegal
Barbados	Guinea	Mauritania	South Africa
Belize	Haiti	Mexico	Sweden
Benin	Hungary	Mozambique	Switzerland
Brazil	Indonesia	Niger	Taiwan
Chile	Reunion Island	Oman	Trinidad & Tobago
Colombia	Iceland	Panama	Tunisia
South Korea	Israel	Peru	Turkey
Ivory Coast	Jamaica	Poland	Ukraine
Curaçao	Japan	Qatar	Yemen
United Arab Emirates	Jordan	DR Congo	Djibouti

The principal mission of the Ebro Group is to research, create, produce and put on the market foods with a high value added that improve people’s health and well-being while meeting their nutritional requirements, endeavouring at the same time to maintain a transparent, efficient, sustainable business model.

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

- **Rice:** 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.
- **Pasta:** This includes the production and marketing of fresh and dry pasta, sauces, semolina, semolina-based products and complementary food products by the Riviana Group (North America), the Panzani Group (France) and Garofalo (rest of the world).
- **Healthy Food and Organic:** The most recent addition to the Group, this business is being developed around the latest acquisitions: Celnat, Vegetalia and Geovita, 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 reports within the Pasta Business.

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.

Decision-making is controlled by the board of directors of the parent, 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 (composed of the heads of the principal business areas) is tasked with monitoring and preparing the decisions made at management level in the company.

The basic raw materials used to manufacture the products marketed by the Group are rice and durum wheat, although others, such as pulses, 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 of this grain (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, plus the resources obtained through the incorporation in the Group of La Loma Alimentos, S.A. in Argentina, a major source of organic rice, which also enables us to reduce our seasonal dependence for certain rice varieties.

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 the USA, Canada and southern Europe (France, Spain and Italy).



Raw materials are purchased from farmers, cooperatives and millers then milled and/or processed at the Ebro Group's production plants. Processes differ depending on the ultimate use of the product and may include cleaning, milling, polishing and basic extrusion, and complex processes of pre-cooking, cooking and freezing.

The Group's main direct customers are: (i) the principal food distributors, (ii) the major food multinationals (which use our products as the basis for their preparations) and (iii) numerous catering businesses. Although consumers are not generally direct customers, they are important in the Group's business focus.

NB: An overview of the principal activities, brands and market shares by business area is set out in Note 6 to the Consolidated Annual Accounts (Financial information by segments).

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.	Federation of European Rice Mills (FERM)	Europe
Herba Ricemills, S.L.U.	Spanish Association of Commercial Coding (AECOC)	Spain
Herba Ricemills, S.L.U.	Confederation of Entrepreneurs in Andalusia (CEA)	Spain
Ebro Foods, S.A.	Multi-sector Association of Food & Drink Enterprises (AME)	Spain
Herba Ricemills, S.L.U.	Spanish Advertisers Association	Spain
Herba Ricemills, S.L.U.	Association of Spanish Rice Industries (UNIADE)	Spain
Arrozeiras Mundiarroz, S.A.	Portuguese Distributors Association	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.	UK National Dried Fruit Association	UK
S&B Herba Foods, Ltd.	UK Rice Association	UK
Ebro India, Privated Ltd.	Rice Association of India	India
Ebro India Privated Ltd.	Indo French Chamber of Commerce	India
Lassie, B.V.	Union of Dutch Food Industry (FNLI)	Netherlands
Lassie, B.V.	Union of Dutch Rice Industry (VRN)	Netherlands
Mundi Riso, S.R.L.	Italian Rice Miller Association (AIRI)	Italy
Riviana Foods Inc.	U.S. Rice Federation	USA
Riviana Foods Inc.	U.S. Pasta Association	USA
Panzani	Association of Processed Food Product Enterprises (ADEPALE)	France
Panzani	French Committee of the Semolina Industry (CFSI)	France



STRATEGY

The Group aims to be an important player in the rice, pasta and healthy grains markets and in cross-cutting categories known as meal solutions. Within that strategy, the company has the following goals:

- ▶ Achieve a global position, being open to the incorporation of related products (such as value-added pulses).
- ▶ Reaffirm itself as a benchmark business group in its different areas of activity.
- ▶ Lead innovation in the geographical areas in which it operates.
- ▶ And position itself as a responsible company, committed to social well-being, environmental balance and economic progress

The Group strategy is thus based on a number of general principles of action and growth levers considered essential to increase the value of the business and company's commitment to sustainable development:

PRINCIPLES OF ACTION

- ▶ 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.
- ▶ 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 stakeholders operating directly and indirectly with it.
- ▶ 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.
- ▶ Reject all forms of abuse or violation of the fundamental and universal human rights, in accordance with international laws and practices.
- ▶ Promote a relationship of mutual benefit with the communities in which the Group is present, sensitive to their culture, context and needs.
- ▶ Meet and anticipate our consumers' and customers' needs, offering a broad portfolio of products and differentiated, healthy food.



- ▶ Steer all the company's processes, activities and decisions towards not only generating economic gains, but also protecting the environment, preventing and minimising environmental impacts, optimising the use of natural resources and preserving biodiversity.
- ▶ Develop a framework of responsible, honest, transparent communication and dialogue with stakeholders, setting up perfectly identified stable channels of communication and regularly providing stakeholders with transparent, rigorous, true, specific information on the Group's activities.

GROWTH LEVERS

- ▶ Search for organic and inorganic growth in high-consumption countries and business expansion 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, pizzas, ready meals) and new ranges of higher value-added ingredients.
 - ▶ Developing products that offer a complete culinary experience, extending the catalogue with new formats (maxi cups, compacts...), flavours (dry pasta with fresh pasta quality, cup range and sauces with fresh quality) and preparations (pan-fried rice and pasta dishes, "Banzai" cups...).
 - ▶ Establishing ourselves as leaders of mature markets by outperforming others in product quality. Expanding and leading the premium category. Developing the enormous potential of the Garofalo brand and including the new opportunities arising from the purchase of Bertagni.
 - ▶ 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 in specialist market niches, through which we can shift 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: pasta in India, extend the product range in the Middle East or Eastern Europe, or develop the pan-fried gnocchi range in Canada.
- ▶ Taking prominent positions in the healthy and organic foods area, through new concepts based on ancient grains, organic, gluten free, quinoa, etc.
- ▶ Differentiation and innovation. Ebro Foods invests in products from two angles:
 - ▶ Research, development and innovation (R&D+I), through five 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 customers and consumers.
 - ▶ Support for leading brands in their respective segments, investing in advertising to underpin their development.
- ▶ Low risk exposure. The Ebro Group faces changes in the consumer and financial markets and social changes with a firm vocation to adapt to change and maintain its market positions. To achieve this, it seeks: (i) to keep on an even keel with recurring income sources (markets, currencies), (ii) low leverage to be able to grow without exposure to financial turmoil, (iii) new supply channels and (iv) long-term relationships with stakeholders (customers, suppliers, authorities, employees and society).
- ▶ Implementation of sustainability throughout the entire value chain ("from the field to the table") with the ultimate aims of: (i) increasing and guaranteeing our competitiveness and the financial, environmental and social sustainability of our operations and (ii) offering healthy, differentiated food solutions that promote and endeavour to secure the preservation of natural resources and the well-being of society, guaranteeing this for future generations.



VALUE CREATION: R&D + INNOVATION

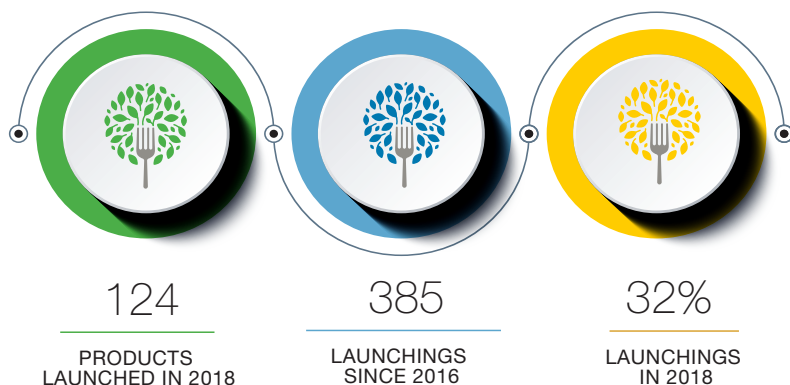
The Ebro Group has always been a step ahead of new consumer trends and an international benchmark in the research and development of products for the food sector. Aware that R&D+I is essential for developing its quality and differentiation strategy, the Group maintained its firm commitment in 2018.

The total expenditure in R&D+I during the year was €5.0 million, between internal resources (€2.8 million) and external resources (€2.2 million). 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 10 employees, concentrates on the pasta division, developing its range of fresh pasta, potato, fresh pre-cooked dishes and sauces. Its activities during 2017 focused on: (i) expanding the fresh pasta range with a premium and organic line, (ii) developing the pan-fried gnocchi range with new varieties and fillings and (iii) working on an entirely new category: snacks and appetizers.
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, dry pasta, couscous, pulses, other grains and new food processing technologies applied to cereals. During 2017 it increased its work on: (i) a new range of pastas based on other cereals (ancient grains), (ii) organic pastas with zero pesticides and (iii) new varieties of quick-cooking rice and couscous, pulse and cereal mixes.
3. TECH CENTER (USA), with 5 employees engaged in developing new products, processes and technologies, or adapting them for the US rice and pasta divisions. Its work has focused on developing: (i) pulse-based pasta as a natural source of fibre, (ii) pasta with protein supplements and organic ingredients and (iii) new special pasta products for sauces and homemade or fresh pasta quality.
4. Herba group centres in Moncada (Valencia), the San José de la Rinconada plant (Seville), the Wormer ingredients plant (Netherlands) and the Bruno plant, with 18 employees overall, 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 projects in progress are: (i) the research and development of new product formulas based on pulses, cereals, ancient grains and seeds, (ii) the development of new rice, pulse, quinoa and cereal-based industrial ingredients and (iii) a project that has received institutional support, seeking substitutes for meat protein from plant-based products.

PRODUCT INNOVATIONS

Through this R&D+I policy, the Group launches new products and concepts on the market every year that revitalize the categories in which it operates and meet and anticipate the needs of its customers and consumers.



NUMBER OF PRODUCT INNOVATIONS BY COMPANY DURING 2018

COMPANY	COUNTRY	NO. PRODUCTS LAUNCHED IN 2018
Boost Nutrition	Belgium	12
Catelli	Canada	13
Risella Oy	Finland	3
Panzani	France	24
Lustucru	France	15
Euryza	Germany	13
Riso Scotti	Italy	7
Garofalo	Italy	8
Lassie	Netherlands	8
Arrozeiras	Portugal	1
Herba Ricemills	Spain	2
Riviana	USA	18
TOTAL NEW LAUNCHINGS		124

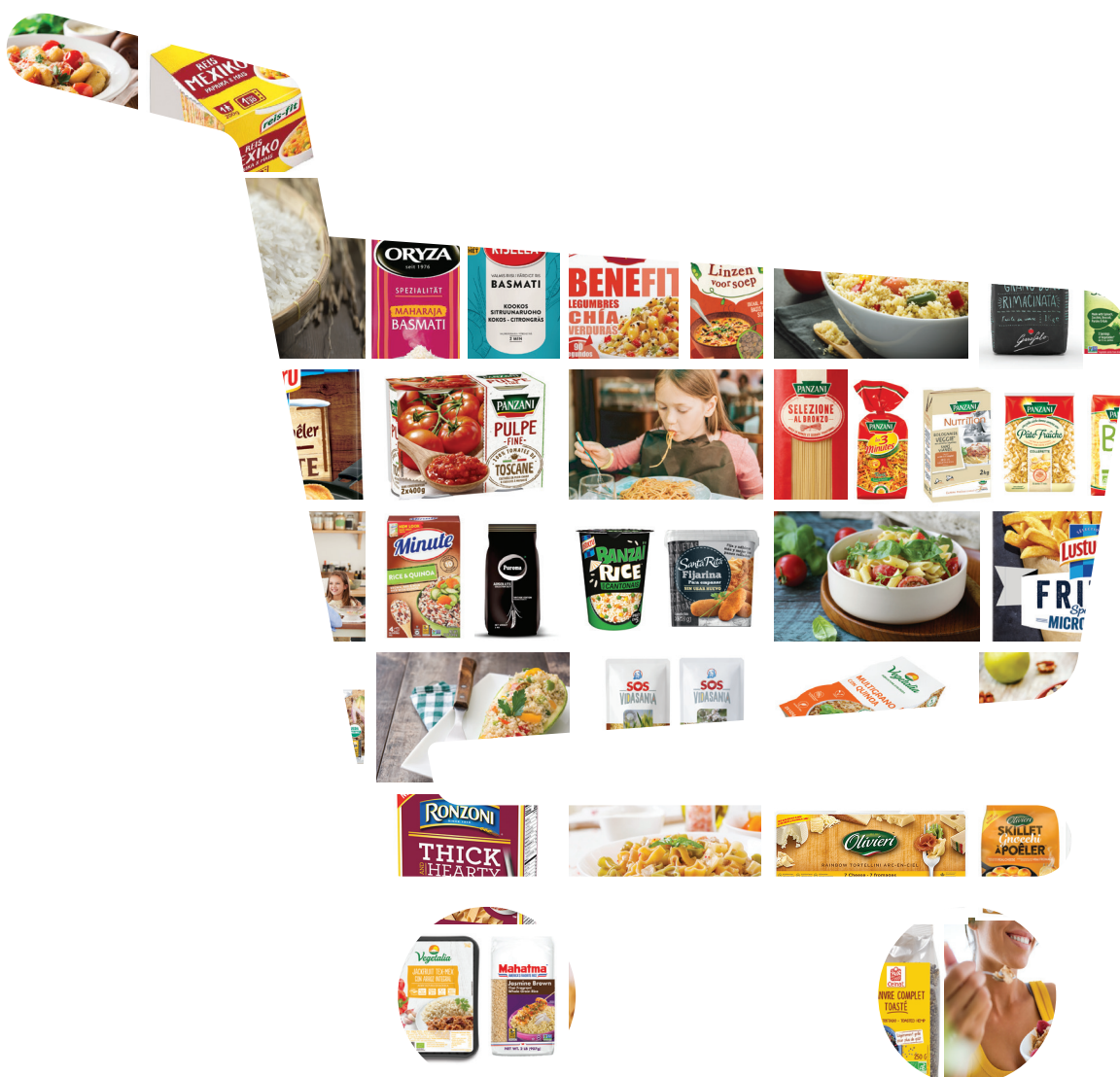


EVOLUTION OF PRODUCT INNOVATIONS 2016-2018

The Ebro Group has launched 385 new products between 2016 and 2018.

COMPANY	COUNTRY	TOTAL NEW LAUNCHINGS 2016-2018
Boost Nutrition	Belgium	24
Catelli	Canada	34
Risella Oy	Finland	15
Panzani	France	82
Lustucru	France	53
Euryza	Germany	30
Riso Scotti	Italy	27
Garofalo	Italy	12
Lassie	Netherlands	27
Arrozeiras	Portugal	11
Herba Ricemills	Spain	23
Riviana	USA	47
TOTAL NEW LAUNCHINGS		385

NB: 72 of the 385 products launched were discontinued during the same period.



WEIGHT OF INNOVATIONS IN THE BUSINESS

The product innovations launched by these companies on the market between 2016 and 2018 accounted for 7.58% of those companies' total sales in 2018.

PERÍODO 2016 AL 2018	HERBA RICEMILLS	PANZANI	LUSTUCRU FRAIS	RIVIANA	BOOST NUTRITION	CATELLI	RISO SCOTTI	LASSIE	EURYZA	RISELLA OY	ARROZEIRAS	GAROFALO
Sales new launchings	35,287,235	124,857,764	59,445,642	72,494,612	8,078,684	48,172,031	51,024,417	4,520,760	9,688,421	2,230,849	7,268,839	4,649,151
% Sales new launchings / Sales by Company	11.98%	12.38%	16.30%	2.76%	21.64%	10.77%	13.53%	5.42%	10.29%	17.24%	9.31%	2.12%

