

## BUSINESS MODEL

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# BUSINESS MODEL

## DEFINITION OF THE MODEL

The main mission of the Ebro Group is to research, create, produce and put on the market high value-added foods that satisfy people's nutritional needs while improving their health and well-being, endeavouring at the same time to secure a transparent, efficient, sustainable business model.

The Group has a multi-company, multi-country and multi-brand business model. It has a decentralised culture in each of its subsidiaries for certain management areas, such as Commercial and Marketing, Logistics, Procurements, Human Resources and Environment, with a clear focus on the business while taking account of the specific idiosyncrasies, laws, etc. of each country. At a higher level, the parent company (Ebro Foods, S.A.), with a light, dynamic structure, is responsible for defining the Group's overall strategy and management guidelines. Decision-making is prompted by the parent's board of directors.

The Ebro Foods Group is managed by business areas that combine the type of activity they perform and their geographical location. Our core business areas are:

- a. Rice:** This covers the production and distribution of different rice varieties and their by-products and culinary supplements. The industrial and brand business follows a multi-brand model. It is present throughout Europe, the Mediterranean Arc, India and Thailand through companies in the Herba Group, and in North and Central America, the Caribbean and the Middle East through the Riviana Group.
- b. Pasta:** This includes the production and marketing of dry and fresh pasta, sauces, semolina and their by-products and culinary supplements, through the Riviana Group (North America), the Panzani Group (France) and Garofalo (rest of world).
- c. Healthy and organic food:** This includes the activities related with health and organic products in all our subsidiaries.

Decision-making is controlled by the board of directors of the parent (Ebro Foods, S.A.), 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 respective business areas. The Annual Corporate Governance Report contains detailed information on the Group's administrative structure.

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.

## GLOBAL PRESENCE

The Ebro Group operates worldwide through a portfolio of over 80 brands, in 84 countries, with industrial and commercial facilities in 16 of them. In the remaining 68 countries, we only engage in commercial activity. Our industrial park comprises some 74 sites, including production plants, offices and warehouses.

### COUNTRIES WITH COMMERCIAL AND INDUSTRIAL PRESENCE

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

### COUNTRIES WITH ONLY COMMERCIAL PRESENCE

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

**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)	Spain
Herba Ricemills, S.L.U.	Spanish Association of Commercial Coding (AECOC)	Portugal
Herba Ricemills, S.L.U.	Confederation of Entrepreneurs in Andalusia (CEA)	Belgium
Ebro Foods, S.A.	Multi-sector Association of Food & Drink Enterprises (AME)	UK
Herba Ricemills, S.L.U.	Spanish Advertisers Association	UK
Herba Ricemills, S.L.U.	Association of Spanish Rice Industries (UNIADE)	UK
Arrozeiras Mundiarroz, S.A.	Portuguese Distributors Association	UK
Boost Nutrition, C.V.	Federation of Food Companies (FEVIA)	India
S&B Herba Foods, Ltd.	British Edible Pulse Association (BEPA)	India
S&B Herba Foods, Ltd.	Campden BRI	Netherlands
S&B Herba Foods, Ltd.	UK National Dried Fruit Association	Netherlands
S&B Herba Foods, Ltd.	UK Rice Association	Italy
Ebro India, Privated Ltd.	Rice Association of India	USA
Ebro India Privated Ltd.	Indo French Chamber of Commerce	USA
Lassie, B.V.	Union of Dutch Food Industry (FNLI)	France
Lassie, B.V.	Union of Dutch Rice Industry (VRN)	France
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 investment 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 stable channels of communication and regularly providing stakeholders with transparent, rigorous, true, specific information on the Group's activities.

## GROWTH LEVERS

1. Search for organic and inorganic growth in countries with high levels of consumption 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 and Tilda.
  - ▶ 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.

2. Significant positioning in the healthy and organic foods segment in all our brands, through new concepts based on ancient grains, organic, gluten free, quinoa, etc.
3. Differentiation and innovation, investing in two aspects to enhance our product range:
  - ▶ Research, development (R&D) and innovation through our five research, development and innovation centres and an investment policy that enables us to convert new ideas and needs into reality for our customers and end consumers.
  - ▶ Focus on leading brands in their respective segments, together with a commitment to invest in advertising to promote their development.
4. Low risk exposure. The Ebro Group deals with change in the consumer and financial markets and social change with a firm vocation to adaptation and permanence. To achieve this, it endeavours to secure: (i) balanced sources of recurring income (markets, currencies), (ii) low leverage so that it can grow without exposure to “financial turmoil”, (iii) new supply channels and (iv) long-term relations with its stakeholders (customers, suppliers, authorities, employees and society).
5. Implementation of sustainability throughout the entire value chain (“from the field to the table”) with the ultimate aim of: (i) increasing and securing competitiveness and the financial, environmental and social sustainability of operations and (ii) offering healthy, differentiated food solutions that foster and seek the preservation of natural resources and well-being of society, guaranteeing it for future generations.

## VALUE CREATION: R&D + INNOVATION

The Ebro Group has always been one 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 2019.

A total of €5.3 million was spent on R&D+I during the year, between internal resources (€2.9 million) and external resources (€2.4 million). Investment in R&D+I during the year totalled €12 million, mostly corresponding to payments for new facilities for IQF rice and pasta in the USA and new filled fresh pasta processes in France.

The Group has built up its R&D+I activities at research centres in France, USA, Netherlands and Spain, adding in 2018 the Arcugnano R&D centre, specialising in processes related with fresh pasta. These centres and the principal projects developed during the year are described briefly below:

1. The R&D centre of the Panzani Group in Marseilles and Lyon, which focuses its research on the development of durum wheat, dry and fresh pasta, couscous, pulses, other grains and new food processing technologies applied to cereals. This year it increased its work on: (i) expanding the pre-cooked pasta range, (ii) improvements to processing, especially in the use of energy and (iii) numerous additions to the ranges of sauces, fresh-quality dry pasta, pesticide-free pasta, etc.
2. Bertagni's R&D centre in Arcugnano, which has worked especially on the technology patented by Bertagni for double-layer sealing of product and has also developed two new product categories: one with fish and the other for vegan products.



3. United States. Department engaged in the development of new products, processes and technologies, or adapting them for the US rice and pasta divisions. Its work has focused on developing: (i) a new range of grain & pulse products ready in 10 minutes, (ii) strong local development of microwave cups adapted to suit the uses and customs of the country, (iii) new pasta & sauce kits with several varieties and (iv) numerous projects adapting recipes and textures in paste-based products.
4. Herba group centres in Moncada (Valencia), the San José de Aznalfarache plant, the Wormer ingredients plant (Netherlands) and the Bruno plant, 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) research of hydrothermal, thermomechanical and chemical modification of rice starch to attain specific functionalities for industry, (ii) the development of new rice, pulse, quinoa and cereal-based industrial ingredients and (iii) search for ingredients without allergens for use in the food industry and (iv) development of vegan convenience food products made from vegetables and pulses, 100% organic, with no additives and having a high nutritional level.

## 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 2019

During the year, different group companies have launched some 129 new products:

COMPANY	COUNTRY	NO. PRODUCTS
Arrozeiras Mundiarroz	Portugal	2
Boost Nutrition	Belgium	12
Catelli Foods	Canada	9
Euryza	Germany	10
Herba Ricemills	Spain	5
Lassie	Netherlands	4
Lustucru	France	17
Panzani	France	9
Pastificio Lucio Garofalo	Italy	6
Risella Oy	Finland	0
Riso Scotti	Italy	15
Riviana Foods	USA	40
<b>TOTAL NEW LAUNCHINGS</b>		<b>129</b>

## EVOLUTION OF PRODUCT INNOVATIONS 2017-2019

The Ebro Group has launched 384 new products between 2017 and 2019.

COMPANY	COUNTRY	NO. PRODUCTS
Arrozeiras Mundiarroz	Portugal	28
Boost Nutrition	Belgium	32
Catelli Foods	Canada	9
Euryza	Germany	69
Pastificio Lucio Garofalo	Italy	43
Herba Ricemills	Spain	37
Lassie	Netherlands	33
Lustucru Frais	France	18
Panzani	France	20
Risella Oy	Finland	7
Riso Scotti	Italy	20
Riviana Foods	USA	68
<b>TOTAL NEW LAUNCHINGS</b>		<b>384</b>

NB: 65 of the 384 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 revenue in 2018.

PERIOD 2017-2019	ARROZEIRAS MUNDIARROZ	BOOST NUTRITION	CATELLI FOODS	EURYZA	HERBA RICEMILLS	LASSIE	LUSTUCRU FRAIS	PANZANI	PASTIFICIO LUCIO GAROFALO	RISELLA OY	RISO SCOTTI	RIVIANA
Revenue new launchings	6,359,130	9,071,650	61,413,576	12,803,566	22,481,625	3,390,396	66,360,282	96,892,982	5,499,303	2,565,257	64,726,894	83,699,201
% Revenue new launchings / Revenue by Company	7.77%	22.28%	13.69%	17.38%	6.70%	4.17%	17.42%	9.62%	2.39%	19.33%	12.62%	3.27%