



Chairman's Statement



Dear Stakeholders,

2020 was the most complicated year in recent history. The sudden outbreak of COVID-19 hit our society, health and economy hard, forcing us to deal with an unforeseen and unprecedented scenario. In this difficult situation, I am proud to say that the Ebro Group reacted swiftly to the pandemic and we managed to continue developing our business strategy, bringing in exceptionally good earnings that we have shared with all our stakeholders.

Our primary concern with regard to health was to protect our employees and we spent €12.2 million on developing a contingency plan with extraordinary safety measures.

As regards society, we stood by our customers and consumers, producing at maximum capacity to make sure our products were fully available on the different markets in which we operate. At the same time, the Ebro Foundation and Group subsidiaries organised a large number of social initiatives on a global scale to mitigate the effects of the coronavirus, from the purchase of medical materials for care homes and hospitals to provisions for soup kitchens, programmes targeting the digital divide and food donations. In this area, we doubled our efforts from 2019, donating food products valued at over €4 million.

Our commitment to our employees extended far beyond merely guaranteeing their health and protection. We maintained all our jobs, avoiding any layoffs or furloughing in any of our subsidiaries; we invested more than €2.7 million in their training and development; and we fostered working from home, enabling 66% of our office staff to continue performing their duties remotely.

In view of the complicated economic situation, we also wanted to support our shareholders by paying them an extraordinary dividend of €298.5 million, bringing the total dividend for the year, together with the ordinary dividend of €87 million, to €386 million.

The rapid expansion of the virus, the high death rate and the need for extensive lockdown measures to curb the spread in turn set off an unprecedented economic crisis. Specifically in the food sector, the different COVID waves and successive lockdowns brought a huge increase in consumption at home to the detriment of the HORECA channel, which endured the severe impact of continual closures of hospitality establishments. Consequently, our rice and pasta divisions had to cope with vastly increased growth, with spikes at the most critical times of over 100%. Consumer habits varied over time. In the first stage of the pandemic, consumers were primarily concerned with stocking their pantries essentially with staple foods, without paying much attention to differentiation. As the pandemic progressed and their fears of shortages abated, they started buying products with a higher value added and in more normal quantities. The health crisis also accelerated changes in certain patterns of consumption, with an extraordinary growth in online shopping and the confirmation of consumer preference for local supermarkets for physical shopping.

Against this backdrop, 2020 brought the Group an increase in extraordinary expenses and income. In the Rice Division, we had to put down an extra €30 million for raw materials, owing to the impact of hurricane Laura on the North American market and the forecasts of a smaller harvest in Europe due to the storms and flooding in Italy and salinity problems in Spain. The fear of shortages and the lockdowns imposed in the different waves of COVID had a positive effect on the performance of our brands, which recorded growth rates of almost 18%. The performance of our Tilda business is worthy of special mention, having exceeded all expectations in its first full year in the Group.

The most significant landmark in the Pasta Division was the sale of the dry pasta businesses of Catelli (CAD\$ 165 million) and Riviana (US\$242.5 million) in North America. Even after this divestment, the Group will still have a commanding presence in the North American market through its dry and fresh pasta businesses headed by our Garofalo® and Bertagni® brands; frozen rice and pasta products, through Ebrofrost; and we will continue to lead in the rice and high value-added product ranges with our brands Mahatma®, Minute®, Tilda®, Carolina®, Success®, RiceSelect®, etc. The Pasta Division also had to weather a price hike of around €29 million in its raw materials, mainly in its European business. And as occurred in the rice division, this Division experienced a substantial growth in demand, which we were able to meet by focusing our production capacity around the products in greatest demand, to the detriment of products with a lower value added.

All in all, the Group's turnover grew by more than 15% during the year to €2,897.5 million and our EBITDA-A rose to €364.2 million, up 18.8% year on year. At the same time, our average Net Debt was reduced by €49 million to €951 million.

In stock performance, our share rose 10.8% over the period, while Ibex 35 closed the year down 16.6%, Ibex Med fell 11.0%, Ibex Small rose by 15.8% and Eurostoxx Food and Beverage suffered a 13.9% depreciation.

The Group made global investments of over €28 million in Corporate Social Responsibility and Sustainability, distributed among training schemes for our employees (148,654 hours), sustainable agriculture programmes in Spain, India, Argentina, Thailand, etc., more than 120 social action initiatives and the development of projects aiming to minimise our environmental impact and mitigate climate change. We report extensively on these actions in our Corporate Social Responsibility and Sustainability Report. Through the combination of all these actions, we continue making progress in our commitment to the 10 Principles of the UN Global Compact.

As we publish this Report, we look ahead to 2021, which is envisaged as a complicated year, due to soaring inflation in freight and raw materials, poorer consumers fatigued by the seemingly end-less health situation, pressure from distribution, the return of promotions and the reactivation of competition. We trust that our business model, which has proved so strong and successful in other adverse circumstances, will pull us through this complex scenario.

Antonio Hernández Callejas
EBRO FOODS CHAIRMAN