

DEAR STAKEHOLDERS



The economy performed better in 2023 than had originally been anticipated. Although economic growth slowed and inflationary pressure remained strong for much of the year, the dreaded stagflation was avoided and the world economy proved more resilient than expected. Existing geopolitical tensions (the Ukraine war) persisted while new conflicts broke out in the Middle East.

So we began 2023 with a forecast of €225 million in additional costs, requiring our commercial, procurements, logistics and marketing teams and, in short,

the entire Organisation to make extra effort to check, mitigate and find a favourable solution, once again, for this adverse situation.

Fortunately, these tensions eased off during the year. Energy prices maintained a positive trend and the extortionate rates of the past two years disappeared. The increases in labour costs outstripped inflation so our workers did not lose any purchasing power. Meanwhile, logistics more or less returned to normal, although there was another spike in the costs of certain shipping routes due to the issues in the Red Sea in the fourth quarter of the year.

Turning our attention to raw materials, after an abundant 2022/23 harvest with good yield, the price of durum wheat eased over 2023, albeit with a slight, short-lived upturn at the beginning of the new 23/24 harvest. In contrast, the prices of some important ingredients for our fresh pasta business, such as potato flakes, eggs and milk, were very high. Similarly, rice prices remained very high, up 21% on average over the previous year, even though the world harvests maintained the favourable levels of earlier years. Prices were pushed up mainly by the export restrictions imposed in certain producing countries on the grounds of: (i) fears of the effect of El Niño on the new harvests, (ii) inflationary pressure on inputs, and (iii) the alarm generated by the rising prices of staple foods in the least developed countries.

Some of the consumer patterns that heightened during the pandemic, such as e-commerce, have continued, although the rate of change appears to have eased off somewhat. Meanwhile, hard discount and private label brands have gained weight in Distribution to counteract inflation, dominating a growing number of sales points and market share. This trend ratifies the prominent position of R&D and innovation within our Group's strategy, as an instrument enabling us to stand out from our rivals and develop unique products and technologies to satisfy the needs of our customers and consumers, providing value added in all cases. In this regard, we launched 89 new products in our Rice and Pasta Divisions in 2023.

In the corporate area, we pressed ahead with our organic growth policy, with a CAPEX of €142 million, making our plants more modern and competitive and thereby attaining excellence within the sector. We have also made further progress in simplifying, optimising and generating synergies in our structure, by reorganising services in our UK, Benelux and Canadian subsidiaries.

As regards the evolution of our Business Areas, although the Rice Division suffered the consequences of the third year of drought in Spain (practically halving the availability of Spanish rice, with reduced industrial activity and higher costs), it managed to close an excellent year thanks to: (i) The considerable management capacity of our supply chain and successful strategic positioning in the principal sourcing areas; (ii) The strength of our brands, with a portfolio of products able to withstand the private label growth; (iii) The experience of our commercial teams;



(iv) The excellent performance of our high value products; (v) Growth of over 40% in the Middle East through our brands Tilda and Abu Bint; and (vi) consolidation of our business in Africa, with the leadership of Cigala in Morocco and our strong entry into other countries, such as Ghana and Libya.

The Pasta Division also completed a good year in 2023, restoring profitability in all the markets in which we operate. One of our most remarkable achievements was the major upturn in sales volumes in the fresh pasta business, of over 8% in France, thanks largely to the strong growth of "Gnocchi", Lustucru's flagship. The year also witnessed a good performance from Bertagni, which increased the number of SKUs and gained ground in Distribution. In the dry pasta category, Garofalo made very positive progress, consolidating its leadership in the premium segment in Italy and growing in other markets, such as USA, Canada and Spain.

All in all, I am proud to inform you that four years after our latest strategic move, we are now a stronger, more secure Group with a higher value and yield. We have closed the best year in our history, reaching profit levels that outshine even those obtained when we still had the Dry Pasta Division, reducing our debt to €192.2 million lower than in 2022 and €452 million less than in 2019, even after distributing more than €737 million since then in dividends to our shareholders. This proves the strength and solvency of our business model and ratifies our shrewd strategic decisions.

All our financial metrics maintained satisfactory growth over the period. Our net turnover rose 3.9% year on year to €3,084.5 million. The Adjusted EBITDA grew by 15.7% to €387.1 million in respect of 2022, one of the best EBITDA in our history. And the year-on-year growth of 53.2% in Net Profit to €187 million, outstripping other comparative results because in 2022 it included the extraordinary loss of €20 million posted on the sale of the Roland Monserrat business.

I would like to point out that thanks to our geographical diversification strategy, 95% of our Adjusted EBITDA in 2023 was generated in international markets and only 5% in Spain.

As far as stock performance is concerned, the Ebro Foods share rose by 4% in 2023. In the same period, Ibex 35 rose by 20.7%, Ibex Med by 15.5%, Ibex Small by 8.8% and Eurostoxx Food and Beverage, which represents the leading companies in the European food sector, fell by 4.8%.

With regard to dividends, an ordinary dividend of €88 million (€0.57 per share) was paid out in 2023 against the 2022 profit, giving a dividend yield of 3.7%.

In Corporate Social Responsibility and Sustainability, we continued pursuing the goals of our General Sustainability Plan **HEADING TOWARDS 2030** and our commitment to the 10 Principles of the UN Global Compact, to which we signed up more than two decades ago. We thus invested €6.9 million in actions to stimulate social and economic progress in our communities; the Ebro Foundation promoted 72 social action initiatives; we endeavoured to ensure the well-being and professional development of our employees, almost 93% of whom now have perma-

nent contracts, and we invested more than €4.2 million in training and occupational hazard prevention; we strove to improve the sustainability of our supply chain; and we embarked on different projects aiming to minimise our environmental impact, considerably reducing our energy and water consumption and our GHG emissions. In this regard, I should also mention that we have calculated our Scope 3 Carbon Footprint for the first time. The next step will be to define goals to reduce our Science Based Targets (SBTi). Information on all these achievements can be found in our Corporate Social Responsibility and Sustainability Report.

We are now immersed in 2024, which, in spite of the excellent results we have achieved in the first quarter, is likely to be another difficult year because there is still considerable inflationary pressure on the commodity markets, the lowering of retail prices maintains the pressure on consumers and Distribution, private label brands are progressing relentlessly, new competitors are appearing on the markets, etc. Nevertheless, we are convinced that the Group is in a good position to face all these challenges successfully because we have: (i) considerable know how in all the major aspects of the business; (ii) auspicious geographical diversification; (iii) very powerful brands that have proved their strength and attractiveness for consumers; and (iv) a team of professionals who are fully committed to the Company.

Before I end, I would like to thank you, our shareholders, for your unconditional support for our business project and, naturally, all the professionals of the Ebro Foods Group for their work, efforts and dedication every day, which are absolutely essential if we are to continue to be leaders and benchmarks in this sector.

