



**ANNUAL  
REPORT**

**15/16**





# ANNUAL REPORT 2015/2016



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## LETTER FROM THE PRESIDENT

The 2015-16 fiscal year has been a year of significant changes for the company. Its change of name, to the current Borges Agricultural & Industrial Nuts, has meant the beginning of a new and ambitious stage for the Group. The subsequent capital increase through non-monetary contributions has meant the reinforcement of agricultural activity and the integration of new lines of industrial and commercial business.

As such, BAIN has become one of the leaders of the world nut market, with a prominent position with regard to industrialisation, processing, packaging and B2B marketing of nuts. Its solid commercial structure, combined with greater control over quality and traceability at all stages of the production chain, will form the basis of success and also generate synergies to aid the greater overall efficiency of operations. The strength of the balance of our Group has allowed us to initiate a development plan to be implemented over the next six years, whereby 2,500 new hectares of land will be used to plant around 600,000 almond trees. During this year, the Group acquired and leased farms in Spain and Portugal, contributing to the diversification of our agricultural activities, extending our operations to new regions and focusing on almond cultivation to strengthen our position with regard to the most relevant product of our commercial activity. Sustainability has been one of our values ever since

our founding, and is a fundamental part of our continuous improvement efforts, which we extend to all areas of the company. As a result of our commitment to the environment, we are committed to the enhancement of our agricultural business as a differentiating force. At the operational level this has once again become a difficult year for the nut, almond and pistachio markets. Although world demand continues to grow, there has been a decline in the market price of walnuts and almonds. This has been driven on a fundamental level by good harvests obtained in California, and the eagerness of producers to close harvesting operations at harvest time, at prices that they have considered to still be attractive. The diversification of activities and the greater international exposure of the Group allow us to have a solid basis for emerging, stronger than before, from complex environments. We are undoubtedly facing this stage, one full of new challenges and objectives, with enthusiasm and with more strength than ever before, as a more cohesive group, vertically integrated and internationalised, which should allow us to continue on our path of generating sustained value for all our stakeholder groups.

**JOSÉ PONT AMENÓS**

President of Borges Agricultural & Industrial Nuts

# ABOUT US

We are the only vertically integrated listed company in Spain and Europe dedicated to the agricultural production, processing, packaging and B2B marketing of nuts - mainly walnuts, pistachios and almonds.

Our history can be traced back to 1896, when we started our business. Today we are leaders in the marketing of almonds and other nuts, having historically sustained steady market shares for these products and a consolidated business, driven by a strong international commercial network making sales in 54 countries, an excellent reputation in our sector and a household name for quality products.

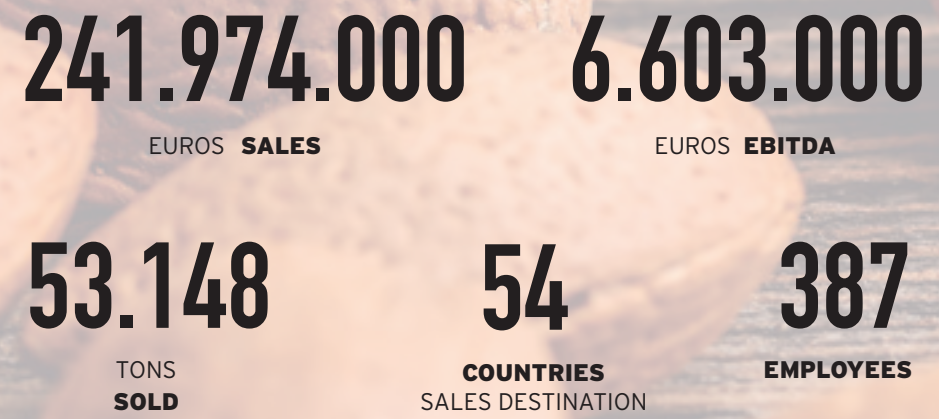
Since 1987 we have enjoyed access to our own farms where we produce some of the products we offer, with a significant presence in California, Spain and Portugal.

This means that we can obtain levels of traceability and first-hand crop information that are unique in this sector. Internationalization has been part of our DNA since the first exports began in 1957. We have 7 commercial and manufacturing offices worldwide that serve our customers and consumers around the world.

Our goal is to create value for our stakeholders, based on quality and innovation, offering consumers the standards and qualities of the enjoyment of Mediterranean life.

We remain faithful at all times to our values: professional ethics, quality as a principle, tradition, trust, profitability, sustainability, vision of the future, a global scale, customer guidance and innovation.

## MAIN FIGURES FOR THE YEAR:



We have quality-control checks at all stages of the production process, forming an active part of the value chain of our customers and guaranteeing traceability and food safety.

### AGRICULTURAL

This source of supplies gives us knowledge and vertical integration regarding the key raw materials.



### INDUSTRIAL

Our industrial facilities are located in strategic areas to allow the processing of raw materials at the optimum point.



### COMMERCIAL Our main lines of business:



**PROCESSING FOR INDUSTRIAL USE**  
We produce the best products intended for industries or sectors that use them as ingredients in their processes.



**PACKAGING FOR THIRD PARTIES**  
We are the largest third-party brand packaging company in Spain and we produce and pack for some of the most prestigious brands.

# OUR HISTORY

120 years of family tradition, internationalising Mediterranean values and culture.



**1890'S**

**1920'S**

**1950-60'S**

**1970'S**

**1980'S**

**1990'S**

**2000-15**

**2016**

**1896**  
Antonio Pont and Dolores Creus start their business project.

**1920**  
The industrialisation of the Group was consolidated with the addition of an almond cracker.

**1925**  
Incorporation of the Second Generation with the entry of Josep and Ramón Pont Creus

**1957**  
First bulk exports of nuts begin.

**1967**  
Sale of packed branded nuts for our clients.

**1978**  
Our agricultural project begins with the planting of the first walnut and pistachio trees in Spain.

**1984**  
Facilities established directly in Andalusia for the purchase and shelling of almonds.

**1985**  
Acquisition of walnut farms in California, USA.

**1987**  
Agrofruse (now BAIN) accesses the capital market through the Madrid Stock Exchange.

**1997**  
Facilities established directly on the Spanish Eastern Coast for the purchase and cracking of almonds.

**2000**  
New plant established, dedicated exclusively to crack kernel processing and industrialisation.

**2011**  
Development of more than 100 hectares, with new varieties of walnuts and plantation frame.

**2015**  
Plantation of pistachio farms begin in Tárrega (LLeida).

**2016**  
Change of name to Borges Agricultural & Industrial Nuts.

Beginning of project to plant 2,500 hectares of almond trees.

Agricultural expansion in Portugal.

# AGRICULTURAL BUSINESS

## OUR FARMS



## MILESTONES OF THE FISCAL YEAR 2015/2016

2,346 TONS WALNUTS  
 172 TONS PISTACHIOS  
 5 TONS ALMONDS

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2,523 TONS PRODUCED

**550** NEWS HECTARES INCORPORATED  
**76** NEW HECTARES PLANTED

## NEW HECTARES INCORPORATED:

- La Palheta Estate**  
Farm with an area of 426 hectares near to the Alqueva reservoir
- Cantillana Estate**  
Farm with an area of 86.8 hectares in Badajoz, 1,500 metres to the north of the Palacitos estate.
- El Cuartillo Estate**  
Farm with an area of 37.5 hectares in the municipality of Montijo (Badajoz).

## NEW PLANTATIONS:

- Cantillana**  
67 hectares almond trees plantation in Badajoz.
- Mas de Colom:**  
9.2 hectares almond trees plantation in Lleida.

With more than 500 hectares incorporated during the fiscal year 2015/2016, we have taken the lead in implementing the Group's expansion plan.

# QUALITY

Quality forms part of our culture: “Always give what is expected of those who are part of this Organisation, at the right moment, in the right amount and in the right form.” We extend this commitment to our suppliers and those who effect the continuous improvement of all stages and activities, via checks and traceability programmes. The effectiveness of

these programmes is regularly evaluated by independent experts.

The highly demanding certifications we hold, along with the experience and professional skills of our employees, allow us to offer our clients and consumers the highest standards of quality, traceability and food safety.

**TO ENSURE THE SAFETY AND HEALTH OF OUR CUSTOMERS, WE HAVE:**

- Certified food quality and safety checking systems.
- Continuous monitoring of our facilities
- Dissemination of information to customers to ensure safe use of the products and services offered.
- Analysis of critical points and product quality controls.
- Regulatory inspections and compliance with applicable requirements.

# INNOVATION

Innovation management is a key tool for us in creating value. Focusing clearly on the future, we continue to dedicate our efforts to the development of products and processes that allow us to be pioneers in our sector, upholding the highest quality standards and ensuring that our customers and consumers get products that meet their needs and ex-

pectations, in very complex and diverse markets.

We firmly believe that anticipating is the best way to lead a business into the future. That is why we have made a significant investment effort to investigate, innovate and improve processes, thus guaranteeing the competitiveness and future of the company.

**OUR MAIN ONGOING PROJECTS ARE INTENDED TO ACHIEVE:**

- Improvements to the drying /dehydration processes.
- Improvements to the steam production processes.
- Recovery of by-products.
- Development of new industrial packaging.
- Introduction of new technologies to assist the almond selection processes.
- Sustainable agriculture.

We are developing projects in our farms to adopt the best sustainable agriculture practices in the sector.





# CSR AND SUSTAINABILITY

Our commitment to our stakeholders extends to all those whom the company's activities may significantly affect, or whose actions may impact our ability to success-

fully develop our strategy and achieve our goals. As a result of dialogue and participation mechanisms involving our stakeholders, four major areas of work have been defined,

for which the priority aspects for the Group's management have been identified. These were the bases for defining our Sustainability and Corporate Social Responsibility Strate-

gy, as well as establishing milestones and objectives that will allow us to evaluate our evolution over the next five years and which are summarized in the following table:

OUR PEOPLE	OUR PLANET	SUPPLY CHAIN	OUR COMMUNITY
<p>The success of a company is the result of the talent and well-being of its employees.</p>	<p>The actions of today must not compromise the needs of the future, neither those of the company nor of society.</p>	<p>Promoting responsible manufacturing and consumption as part of our objectives.</p>	<p>Engineering and promoting changes that can improve the quality of life for society.</p>
<p><b>OBJECTIVE:</b> To promote the development of collaborators.</p>	<p><b>OBJECTIVE:</b> To minimise the environmental impact of our operations.</p>	<p><b>OBJECTIVE:</b> To take ethical, environmental and social issues into account in the supply chain.</p>	<p><b>OBJECTIVE:</b> Contribute to generating sustainable communities.</p>
<p><b>LINES OF WORK:</b></p> <ul style="list-style-type: none"> <li>• Diversity and equality.</li> <li>• Employee health and safety.</li> <li>• Attracting, developing and retaining talent.</li> </ul>	<p><b>LINES OF WORK:</b></p> <ul style="list-style-type: none"> <li>• Risks concerning the supply and management of water.</li> <li>• Packing and packaging of products.</li> <li>• Strategy on climate change, policy and environmental awareness.</li> </ul>	<p><b>LINES OF WORK:</b></p> <ul style="list-style-type: none"> <li>• Supply chain management.</li> <li>• Evaluation of supplier CSR compliance.</li> <li>• Code of Conduct and Anti-Corruption.</li> </ul>	<p><b>LINES OF WORK:</b></p> <ul style="list-style-type: none"> <li>• Health and nutrition.</li> <li>• Promotion of healthy lifestyles.</li> <li>• Dialogue with relevant stakeholders.</li> </ul>

## OUR PEOPLE

Development of the Group's 3rd Equality Plan, whereby the following objectives are established:

- Ensure equality of treatment and opportunities for women and men in the company.
- Provide for measures in the Plan aimed at reconciling work and family life.
- Review the harassment protocol, and procedures in case of non-compliance.
- Review the practical manual on non-sexist language.
- Promote personal and professional development.
- Implement a social benefits programme to guarantee quality and stability of employment to enhance the reconciliation of working life and family matters.
- The Borges te Cuida (Borges Cares for You) programme aims to transfer values, promote healthy habits and generate commitment to being a sustainable, healthy and supportive company.

### EMPLOYMENT POLICY AND STAFF STABILITY PRINCIPLES:



## OUR PLANET

At Borges Agricultural & Industrial Nuts, we aim to achieve a balance between our activities and sustainability, through our commitment to the environment.

We recognize that every Organisation must develop its activity in a sustainable way, integrating economic, social and environmental factors into its strategy and policy.

### MAIN MEASURES TO MINIMIZE THE IMPACT OF OUR ACTIVITY ON THE ENVIRONMENT:

- Ongoing renewal of industrial equipment, replacing it with new technologies that are more efficient and generate less pollution.
- Better techniques and exploitation processes at our own purification plants, reducing consumption of the chemicals used and outputting more environmentally-friendly waste water.
- Energy audits at each production centre.

- Continuous studies to encourage recycling and weight reduction for all containers.
- Ongoing annual training regarding environmental protection matters.
- Worker awareness training regarding key environmental issues.
- Publication of the Practical Green Office Guide that collects tips for energy, water and paper savings.



### KEY MILESTONES:

↓ 5%

reduction in **ELECTRICAL ENERGY** at the Reus plants

↓ 12%

reduction in **GENERAL WASTE** at the Reus plants

648

Tons of **CARDBOARD** recycled

161

Tons of **PLASTIC** recycled

106

Tons of **GLASS** recycled

## BIODIVERSITY

In 2015 a project was launched geared towards irrigation modernisation and the introduction of new crops such as pistachio nuts.

Part of the project is carried out in special protection areas for birds (SPAs) established by the Natura 2000 network.

Natura 2000 is a European network of natural areas whose objective is to make the protection of natural and semi-natural species and habitats compatible with the human activities being

conducted, keeping habitats and species in a decent state of conservation and preventing their deterioration.

In order to guarantee a suitable habitat and facilitate the nesting of steppe birds, BAIN allocates 35.74 hectares to low-density fallow alfalfa sowing, with conservation of spontaneous vegetation for structural purposes, to a height of 20-40cm. In this way, we maintain the ecological coherence of the Natura 2000 network.

**The management of our farms in line with sustainable practices means better quality habitats, while serving as a study to observe compatibility with other agro-environmental practices.**

## CARBON FOOTPRINT

**We are the first company to obtain a certificate to measure the carbon footprint for the complete life cycle of our products, from its production in our own orchards to the consumer:**

A carbon footprint is an environmental indicator that expresses the amount of greenhouse gas emissions (GHG) that are associated with the life cycle of a company or or-

ganisation's product, service or activity, and that contribute to global warming as an environmental impact factor.

Calculating our carbon footprint allows us:

- To quantify, reduce and neutralize our CO2 emissions within the framework of climate change mitigation.
- To offer reduced-carbon products, in line with our sustainability policy.
- To identify opportunities to make cost savings in our processes



## SUPPLY CHAIN

Working on the sustainable development of the supply chain is key to our Social Responsibility strategy. Therefore, we expect the same commitment from our suppliers, contractors and collaborators, in order to:

- Mitigate risks of any violation of human and social rights.
- Ensure integrity and ethical conduct.
- Reduce the environmental impact of the organisation.

Our contracts include clauses relating to the operations of our suppliers as part of the ethical management of the supply chain and our quality code.

In recent years, we have expanded the internal monitoring teams responsible for the approval and continuous evaluation of national and international collaborators.

### DURING THE TRADING YEAR, THE FOLLOWING INITIATIVES WERE CARRIED OUT:

- Definition of the social and environmental criteria for the selection of suppliers, as part of the Supplier Code of Conduct.
- Approval of the Ethical Principles for service providers and collaborators, and establishment of an Ethical Channel for suppliers.
- Improvements to the Social Responsibility and Sustainability Self-Assessment Questionnaire for the supply chain.
- Analysis of fundamental aspects such as Transparency and Business Ethics, Human Rights and Social Action, Quality and the Environment.



## OUR COMMUNITY

Two factors are crucial in the pursuit of high quality standards: our staff and the use of the most advanced techniques. As a company, we are close to society and committed to it, contributing to its development through our way of doing things and the initiatives that we carry out in three areas:

HEALTH	CULTURE	SPORTS
We conduct various collaborations with associations, non-profit bodies and public bodies.	We are present at events held in our immediate neighbourhood.	We focus on sport as an integrating element and a way to promote healthy life habits.
<ul style="list-style-type: none"> <li>• The Association of Diabetics of Catalonia.</li> <li>• The Spanish Association of Transplants.</li> <li>• Collaboration with AETAPI (Spanish Association of Autism Professionals).</li> <li>• Collaboration with the Spanish Association Against Breast Cancer.</li> </ul>	<ul style="list-style-type: none"> <li>• Collaboration in the traditions and popular festivals of the areas where the Group carries out its manufacturing activities, collaborating with municipalities, neighbourhood associations and other institutions.</li> </ul>	<ul style="list-style-type: none"> <li>• Support via contributions of money or products to various types of sporting events such as school races, treks, hikers' associations, etc.</li> </ul>

### BODIES WE WORK WITH:

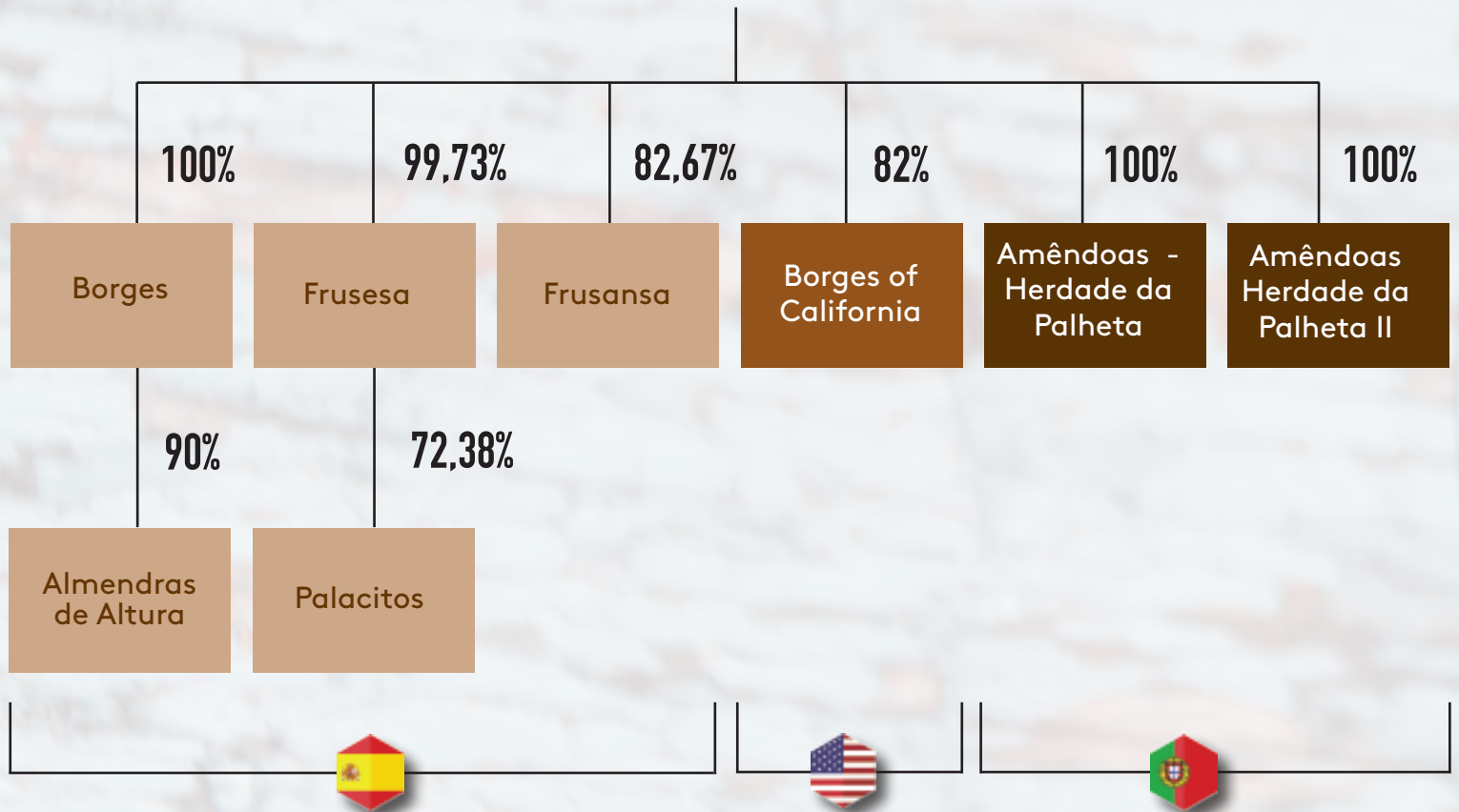
We are members of various organisations committed to social and environmental progress, such as:



**Our relationships of trust are based on a responsible service, with a business model sensitive to social realities and sustainable management processes that add certainty to our future.**

# OUR ORGANISATION

Borges Agricultural & Industrial Nuts, S.A. is the only listed company in Europe dedicated to the agricultural production, processing, packaging and B2B marketing of nuts. The Group's parent company incorporates eight more companies in Spain, Portugal and the United States, which are dedicated to the agricultural production, processing, packaging and B2B marketing of nuts.



## CORPORATE GOVERNANCE

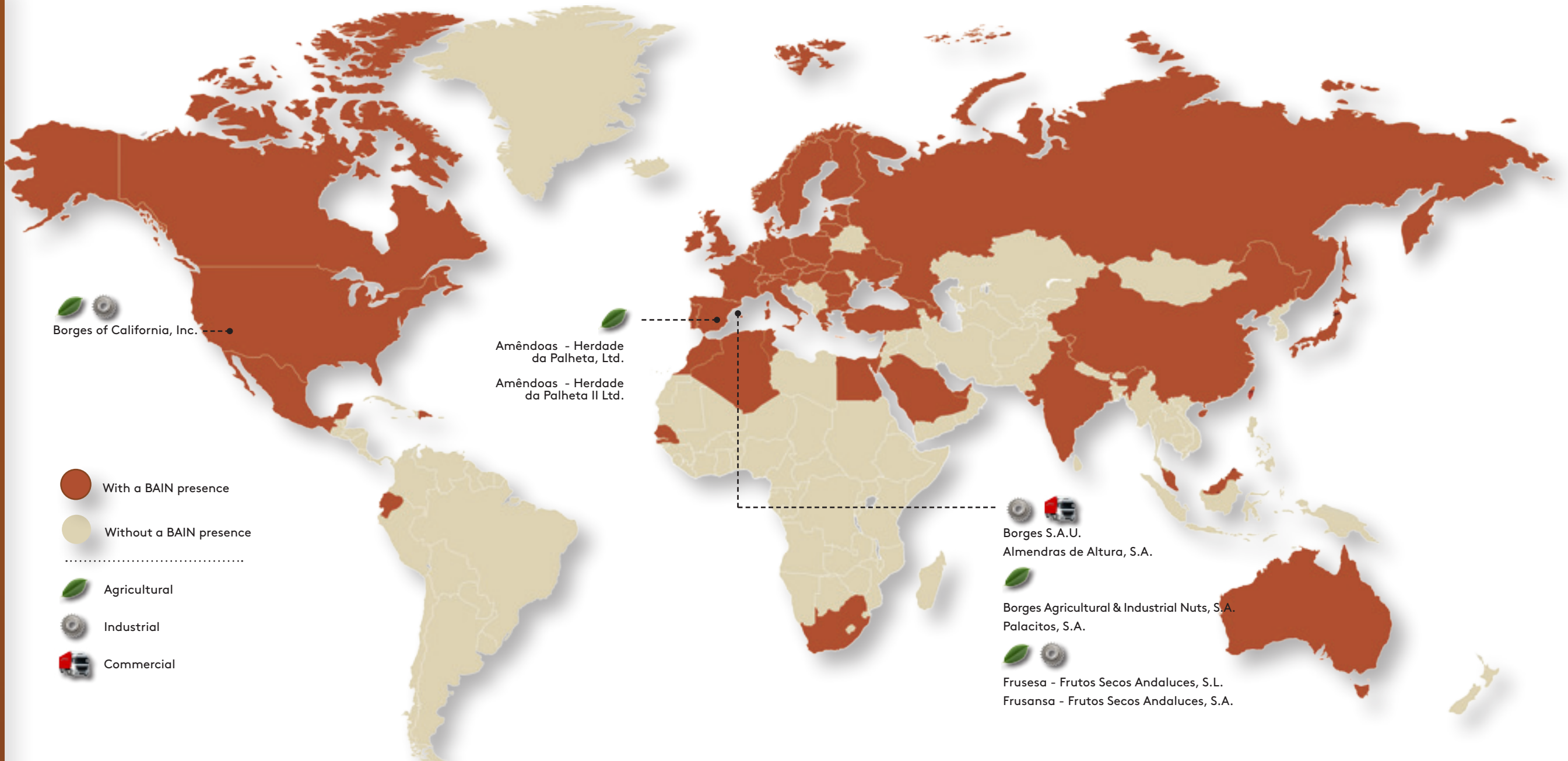
Having increased the number of directors in the previous year, one third of the Board of Directors of Borges Agricultural & Industrial Nuts, S.A. is made up of independent directors.  
As a result of recent corporate and corporate governance reforms, Borges Agricultural & Industrial

Nuts, S.A. has updated its corporate documents and now incorporates most of the recommendations of the new Code of Good Governance for Listed Companies published by the Spanish National Securities Market Commission in February 2015.

## GROUP COMPANIES

LOCATION	COMPANY NAME	ACTIVITY
Spain (Reus and Viator)	Borges S.A.U.	Facilities for the cracking and processing of almonds, and packaging and sale of nuts.
Spain (Altura)	Almendras de Altura S.A.	Facilities for the cracking and processing of almonds.
Spain (Reus, Badajoz, Almería and Tárrega)	Frusesa – Frutos Secos Andaluces, S.L.	Walnuts, almonds, pistachio and annual crops plantations.
Spain (Tárrega)	Borges Agricultural & Industrial Nuts, S.A.	Walnuts, almonds, and pistachio plantations.
Spain (Valle del Zalabi)	Frusansa – Frutos Secos Andaluces, S.A.	Walnuts, almonds, pistachio and annual crops plantations.
Spain (Tárrega and Badajoz)	Palacitos, S.A.	Walnuts, almonds, and pistachio plantations.
U.S.A. (Glenn)	Borges of California, Inc	Walnuts, almonds, and pistachio plantations.
Portugal (Lisboa)	Amêndoas - Herdade da Palheta, Ltd.	Almonds plantations
Portugal (Lisboa)	Amêndoas - Herdade da Palheta II, Ltd.	Almonds plantations

# BORGES AGRICULTURAL & INDUSTRIAL NUTS WORLDWIDE



**241.974.000**  
EUROS SALES

**53.148**  
TONS SOLD

**54**  
COUNTRIES

**1.831**  
HECTARES

**387**  
EMPLOYEES

**7**  
FACTORIES

# MILESTONES OF THE YEAR

**↑ 550**  
NEW  
HECTARES

**↑ 17%**  
INCREASE IN THE  
VALUE OF SALES

**↑ 5**  
NEW COUNTRIES IN  
LATAM AND AFRICA

**CONSOLIDATION**  
OF POSITION  
IN THE MAIN  
**EUROPEAN**  
COUNTRIES

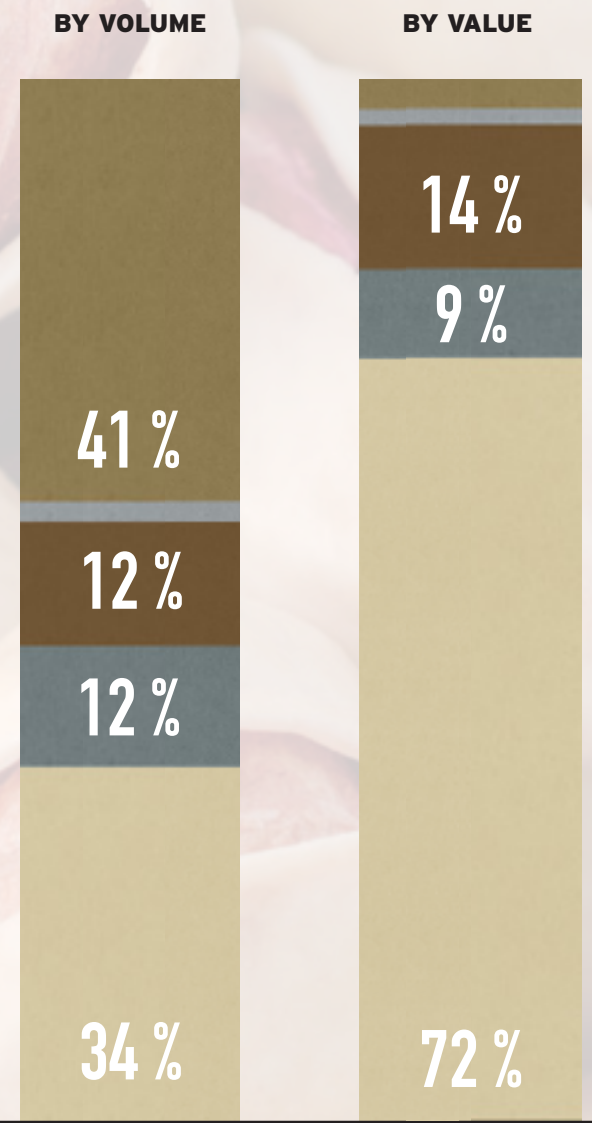
**GROWTH**  
IN HIGH  
**ADDED-VALUE**  
SEGMENTS

**↑ 40%**  
INCREASE IN  
**VOLUME IN THE USA**



The sales growth comes mainly from high-value added segments of clients in which BAIN contributes its know-how and a wide range of specialties.

## CLASSIFICATION OF SALES BY PRODUCT FAMILIES



## CONSOLIDATED PROFIT AND LOSS

These are the first annual accounts closed after the expansion of non-monetary capital effected in February 2016 via which Borges Agricultural & Industrial Nuts, S.A. was granted all holdings in companies involved with the industrial and agricultural production and marketing of nuts and dried fruits to the B2B channel and to private label and third parties, which Borges International Group, S.L. directly possessed.

Accounting procedures requires that the information referred to the closing of May 31, 2016 incorporate the operations carried out by the companies contributed from the date of their contribution. However, in order to better understand the impact on the consolidated financial statements of the Borges Agricultural & Industrial Nuts S.A. Group, the economic information presented is equivalent to that which would have been reported in the consolidated financial statements assuming that the

contribution of activities and shares had been made as of, and effective from June 1, 2015.

This has been a particularly complex year in which the price of almonds and walnuts has dropped suddenly. The FIFO method means that recent sales at the market price of the day are assigned the cost of the products purchased with the highest seniority in order to meet the medium and long-term order backlog of operations, causing a situation where stocks are valued at lower prices, against a backlog of orders with a substantially higher sale price, causing a transfer of results to the next financial year, when these sale operations are expected to materialise.

This is a circumstantial situation the likes of which have not occurred in the last ten years, with the last similar situation having occurred back in 2005/2006.

RESULTS BY ACTIVITY	AGRICULTURAL	COMMERCIAL AND INDUSTRIAL	CONSOLIDATED <sup>(1)</sup>
SALES	17.6	237.8	241.9
EBITDA	2.4	4.2	6.6
EBT	1.8	0.2	2.0
NET PROFIT	1.2	0.2	1.4

(1) €13.5m adjustment of consolidation by internal sales of integrated companies in agricultural businesses to commercial and industrial business.

## CONSOLIDATED PROFIT AND LOSS

31.05.16

<b>Sales</b>	<b>241,974</b>
Changes in inventories	-1,431
Work carried out by the Working Group for its assets	694
Supplies	-209,093
Staff costs	-11,359
Other operating expenses	-14,403
Exchange differences	221
<b>EBITDA</b>	<b>6,603</b>
Ammortization and depreciations	-2,942
Deterioration and result from disposals of fixed assets and financial instruments.	159
<b>EBIT</b>	<b>3,820</b>
Financial expenses	-1,263
Banking costs associated with financing	-543
<b>EBT</b>	<b>2,014</b>
Income tax	-627
<b>NET PROFIT</b>	<b>1,387</b>
Profit attributable to non-dominant shares	126
Profit attributable to dominant Companies	1,260

# CONSOLIDATED BALANCE

## ASSETS 31.05.16

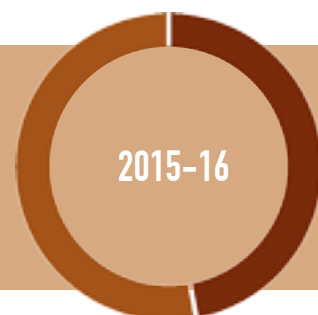
Intangible assets	200
Tangible assets	45,552
Biological assets	7,423
Real estate investments	3,511
Non-current financial assets	253
Deferred tax assets	2,463

### NON-CURRENT ASSETS 59,403

Inventories	59,967
Debtors	16,108
Short-term financial investments	831
Other accounts receivable group companies	100
Other current assets	41
Cash and cash equivalents	6,119

### CURRENT ASSETS 83,166

## TOTAL ASSETS 142,568



■ Net financial debt € 33,580 m  
■ Net working capital € 32,402 m

## EQUITY AND LIABILITIES 31.05.16

Subscribed capital	9,695
Issue premium	36,219
Retained earnings and other reserves	655
Profit attributable to the parent company	1,260

### Equity attributable to the parent company 47,829

External partners	3,005
Conversion differences	1,193

### NET EQUITY 52,027

Long-term provisions	195
Amounts owed to credit institutions	27,130
Creditors by leasing	81
Deferred tax assets	3,116

### NON-CURRENT LIABILITIES 30,552

Short-term provisions	2
Amounts owed to credit institutions	15,028
Deferred tax liabilities	324
Other financial liabilities	652
Creditors by leasing	18
Debts with Group companies and associates	280
Trade and other payables	43,475
Short-term accrual accounts	241

### CURRENT LIABILITIES 60,020

## TOTAL EQUITY AND LIABILITIES 142,568



