

9M14 and Outlook 2014



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1. Business Units: 9M Results and Outlook 2014



RICE DIVISION



RICE



- The new crop in the northern hemisphere, plentiful in both quality and quantity, heralds a period of calm and stability on the world rice market, with a few exceptions such as varieties for risotto, which remain at record levels.
- Nevertheless, the severe drought prevailing in Texas since 2011 has taken its toll on the 2014/2015 crop. The abundant rainfall in September appears to have put an end to this situation, but we will not know whether Texas has sufficient water resources for sowing until the sowing period begins in the summer of 2015.
- The results of the rice division are highly satisfactory. The excellent macroeconomic figures in North America have been reflected in consumption and Riviana has recorded major growth in the varieties with highest value added. The drought in Texas is dragging down the results in ARI, which barely contributes to group profits.
- Herba's performance has also been outstanding. In particular, business is prospering in the UK and Netherlands, accompanied by an upturn in the Moroccan subsidiary.
- In India, basmati rice is still costly, but the new bumper crop is bringing prices down considerably, which will be very beneficial for this business.
- A similar situation is observed in the risotto varieties, prices of which shot up more than 200% in 13/14. Now that we are half-way through the 14/15 crop year, we can confirm that it is more abundant and, in principle, prices are coming down.



RICE 9M14



- Division sales totalled EUR 830.5 million in the first 9 months, a slight improvement on the same period of last year.
- Investment in advertising was reduced by EUR 1.9 million, since with falling commodity prices we have preferred to stimulate demand by stepping up promotions temporarily, rather than through advertising.
- The division EBITDA grew 5.4% to EUR 104.5 million, with an adverse foreign exchange effect of EUR 1.4 million. ARI results continue their downward trend, falling USD 3.4 million over this period.
- The meagre contribution by ARI continues to weigh down the division ROCE, which remains at 15.4%.

Thous. EUR	9M12	9M13	9M14	14/13	CAGR 14/12
Sales	831,485	825,099	830,520	0.7%	-0.1%
Advertising	15,429	18,413	16,499	-10.4%	3.4%
EBITDA	117,746	99,154	104,477	5.4%	-5.8%
EBITDA Margin	14.2%	12.0%	12.6%	4.7%	-5.7%
EBIT	96,913	78,719	84,283	7.1%	-6.7%
Operating Profit	87,684	75,618	89,181	17.9%	0.9%
ROCE	18.4	15.5	15.4	NA	NA



RICE E2014



- We expect a strong year-on-year growth in division sales, rising 5% to EUR 1,144.3 million.
- Investment in advertising will have evened out by the end of the year, reduced by EUR 0.7 million to offset the EUR 2 million spread we have been accumulating since Q1.
- The division EBITDA will be up 7.2% year on year to EUR 147.6 million, with an exchange rate which, if it remains at current levels, will barely change from the average recorded last year.
- We estimate an operating profit up 22% by year-end, pushed up by the sale of land by Riviana.

Thous. EUR	2012	2013	E2014	14/13	CAGR 14/12
Sales	1,105,738	1,090,460	1,144,265	4.9%	1.7%
Advertising	20,219	21,797	21,070	-3.3%	2.1%
EBITDA	161,035	137,627	147,598	7.2%	-4.3%
EBITDA Margin	14.6%	12.6%	12.9%	2.2%	-6.0%
EBIT	133,927	110,156	120,616	9.5%	-5.1%
Operating Profit	130,021	102,785	125,265	21.9%	-1.8%
ROCE	18.3	14.8		NA	NA



PASTA DIVISION



PASTA



- Durum wheat prices (see Annex) have risen considerably in Europe over the past year (+86%), especially since the arrival of the new crop in July (+67%). This contrasts with the prices of other cereals, such as soft wheat, which are falling constantly, having come down 23% after peaking in April. The soft wheat/durum wheat spread, which is normally around 50 EUR per tonne, is currently 204 EUR. This makes us think that the 2015 harvest will be much larger. To help mitigate this effect in the future, Ebro is searching for new sources of supply with a less developed export tradition.
- Despite this backdrop, the results of our European businesses have been good in the first nine months, with significant growth in volume thanks to the relaunching of Panzani brands and the new communication strategy. According to Nielsen, over the first 9 months of this year Panzani has been one of the FMCG companies with the largest sales growth in France (ranking 6th). We expect a somewhat weaker fourth quarter because although an imminent price rise has been announced, it will take some time to pass those rises on to consumers so this will temporarily affect its contribution.
- Strategic businesses such as sauces and fresh products are still posting double-digit growth in sales. We highlight the recent launchings of pesto sauce in “Squeeze” and the Lustucru premium range.
- We are very pleased with the acquisition of Garofalo and are starting to distribute this brand in markets which had previously been assigned to third parties, such as Spain, Portugal, France and Belgium. Garofalo has contributed EUR 2.1 million to the division EBITDA in 9M14 and we expect it to reach EUR 6.4 million by year-end.



PASTA



- o Meanwhile, our pasta business in North America has had to cope with several adversities this year:
 - o The congestion of the North American railway system since last year, especially in North Dakota, where 40% of all goods transport between USA and Canada is concentrated. This congestion, due to a combination of the bumper crops and the revolution of demand for energy from schist produced in the region, has made it difficult and even impossible to supply the plants, with the consequent increases in raw material and transport costs and less efficient use of the factories.
 - o The high level of promotion in this category throughout the year, which has made it practically impossible to pass on the increased costs in higher consumer prices, in turn adversely affecting the generation of value for all the pasta operators in the region.
- o We had hoped that a bumper crop such as that expected for this summer would force prices down in the second half of the year, but this has not happened. The rain just before harvesting impaired the quality and reduced the quantity, and prices have consequently soared.
- o We continue with the integration of Olivieri. We are restructuring with a view to renovating the quality and productivity processes in factories and streamlining the central structures.



PASTA 9M14



- Division sales in the nine-month period grw by 9% to EUR 726 million, to which Olivieri contributed CAD 51.6 million and Garofalo EUR 27.9 million.
- Investment in advertising was cut by EUR 2.2 million to EUR 38.6 million, since in view of the competitive situation, we have opted to reduce advertising and increase POS marketing actions.
- The division EBITDA fell by EUR 1.4 million to EUR 99.3 million. Bearing in mind the adverse exchange rate effect of EUR 1.3 million, we are more or less holding steady.
- The division ROCE maintains a high level of profitability of 23.4%.

Thous. EUR	9M12	9M13	9M14	14/13	CAGR 14/12
Sales	669,803	666,603	725,952	8.9%	4.1%
Advertising	33,905	40,827	38,629	-5.4%	6.7%
EBITDA	98,498	100,678	99,288	-1.4%	0.4%
EBITDA Margin	14.7%	15.1%	13.7%	-9.4%	-3.6%
EBIT	79,632	80,770	76,547	-5.2%	-2.0%
Operating Profit	75,175	79,455	75,828	-4.6%	0.4%
ROCE	22	25.5	23.4	NA	NA



PASTA E2014



- We anticipate year-end sales in this division of EUR 1,030.3 million, up 12.6%, owing mainly to the higher prices of raw material. Olivieri is expected to contribute CAD 68.6 million and Garofalo EUR 61 million.
- Investment in advertising is expected to grow by EUR 1.7 million to EUR 51.1 million. In the last quarter of the year advertising and promotion expenses will more or less even out, since at present, with rising raw material prices, promotion activities are rather pointless.
- The division EBITDA is expected to fall by EUR 9 million to EUR 143.9 million, since the impact of the raw material hike will be felt in the fourth quarter. Just as in the case of rice, if the exchange rate maintains its current levels, it will barely have any effect on the total EBITDA for the year.

Thous. EUR	2012	2013	E2014	E14/13	CAGR 14/12
Sales	920,693	915,120	1,030,340	12.6%	5.8%
Advertising	45,281	49,406	51,064	3.4%	6.2%
EBITDA	145,246	152,955	143,891	-5.9%	-0.5%
EBITDA Margin	15.8%	16.7%	14.0%	-16.4%	-5.9%
EBIT	118,884	125,725	111,817	-11.1%	-3.0%
Operating Profit	110,185	115,283	109,208	-5.3%	-0.4%
ROCE	26.5	22.0	ND	NA	NA



2. Ebro Foods Consolidated 9M Results and Outlook 2014



2.1 PROFIT & LOSS ACCOUNT 9M14

- Group sales grew by 4.4% in the first 9 months of the year to EUR 1,520.7 million.
- Owing to the temporary change in investment to attract custom through promotion rather than advertising, the investment in advertising has been reduced by EUR 4 million, totalling EUR 55.6 million.
- EBITDA has grown by 2% to EUR 197. 3 million, despite the adverse foreign exchange effect of EUR 2.4 million.
- Operating profit rose 1.4% over the period to EUR 156.9 million and includes, as the largest item in the fourth quarter, EUR 5.6 million in proceeds on the sale of land by Riviana.
- Net profit grew by 6.1% to EUR 105.6 million.
- The group's ROCE has maintained a satisfactory level of profitability, at 17.3%.

Thous. EUR	9M12	9M13	9M14	14/13	CAGR 14/12
Sales	1,473,586	1,456,809	1,520,683	4.4%	1.6%
Advertising	50,098	59,684	55,599	-6.8%	5.3%
EBITDA	208,825	193,425	197,294	2.0%	-2.8%
EBITDA Margin	14.2%	13.3%	13.0%	-2.3%	-4.3%
EBIT	168,064	152,096	153,570	1.0%	-4.4%
Operating Profit	182,915	154,669	156,867	1.4%	-7.4%
Profit before Tax	180,208	153,998	165,796	7.7%	-4.1%
Net Profit on Continuing Operations	112,611	100,398	109,637	9.2%	-1.3%
Net Profit	110,150	99,504	105,618	6.1%	-2.1%
ROCE	19.9	17.9	17.3	NA	NA



2.1 PROFIT & LOSS ACCOUNT E2014

- Group sales are up 8.7% to EUR 2,126.8 million. The change in the scope of consolidation will contribute EUR 102 million.
- By the end of the year we expect the proportional investment in promotion to be reduced and investment in advertising to increase, on a par with the investment made last year.
- The group EBITDA is expected to hold steady at EUR 283 million, with a barely perceptible foreign exchange effect.
- Operating profit is expected to grow by 5.5% year on year, the largest item in the final quarter being the additional income obtained on the sale of Riviana land and the reversal of overprovision for different legal proceedings.
- A year-on-year growth of 12% is expected in net profit, rising to EUR 148.5 million.

Thous. EUR	2012	2013	E2014	14/13	CAGR 14/12
Sales	1,981,130	1,956,647	2,126,820	8.7%	3.6%
<i>Advertising</i>	66,560	72,188	72,726	0.7%	4.5%
EBITDA	299,226	282,392	282,989	0.2%	-2.8%
<i>EBITDA Margin</i>	15.1%	14.7%	13.3%	-9.3%	-6.2%
EBIT	244,319	226,356	222,877	-1.5%	-4.5%
Operating Profit	255,575	212,907	224,672	5.5%	-6.2%
Profit before Tax	250,438	210,647	233,260	10.7%	-3.5%
Net Profit on Continuing Operations	160,974	141,489	153,477	8.5%	-2.4%
Net Profit	158,592	132,759	148,497	11.9%	-3.2%
<i>ROCE</i>	20.0	17.7	NA	NA	NA



2.2 EVOLUTION OF DEBT

- The net debt at 30 September is down EUR 66.3 million quarter on quarter, reduced to EUR 364.2 million.
- By year-end, net debt is expected to stand at €434 million, which would include the purchase of 52% of Garofalo plus the value of the remaining 48%, if the purchase option is exercised. This would give an estimated year-end net debt-EBITDA ratio of 1.5, a very comfortable level of debt with which we can continue pursuing our strategy of geographical and product consolidation.

Thous EUR	30 Sep 12	31 Dec 12	30 Sep 13	31 Dec 13	30 Sep 14	E31 Dec 14	E14/13	CAGR E14/12
Net Debt	297,298	244,804	259,910	338,291	364,174	434,076	28.3%	33.2%
Average Debt	313,786	294,114	246,473	260,820	318,872	ND	ND	ND
Equity	1,669,045	1,692,209	1,683,849	1,705,757	1,793,303	1,793,413	6.0%	2.9%
Leverage ND	17.8%	14.5%	15.4%	19.8%	20.3%	24.2%	-13.3%	29.3%
Leverage AD	18.8%	17.4%	14.6%	15.3%	17.8%	NA	NA	NA
x EBITDA (ND)		0.82		1.20		1.53		
x EBITDA (AD)		0.98		0.92		NA		



3. CONCLUSION



CONCLUSION

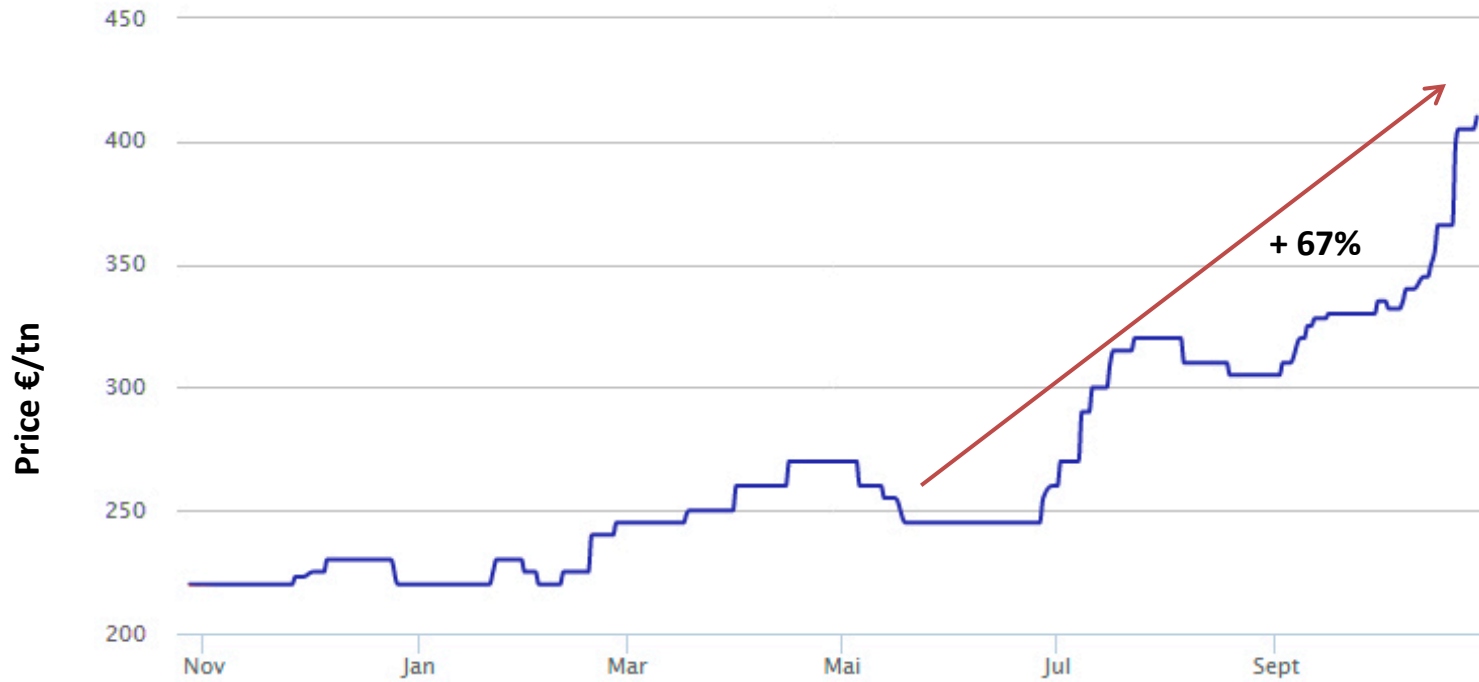
- o Although durum wheat prices hiked during the third quarter, the pasta division was reasonably well protected. It is in the next three months that we will have to adjust our prices and alter our commercial strategies to cushion the effects of this hike. The strength of our brands will allow us to do this.
- o In the rice division, with just a few exceptions, raw material prices have been favourable and we have taken advantage of this situation to increase valor, in both industrial sales and in the traditional brand and value-added businesses.
- o Over the past quarter we have analysed several inorganic growth opportunities but have not found any that offer a possibility of generating value, although we remain open to any purchase opportunities that may arise to complete our product and country matrix. If we do not find any interesting options we will, as we have in the past, assess the possibility of temporarily increasing shareholder returns.



4. Annex. Evolution of durum wheat prices



Evolution of durum wheat prices over the past year



CORPORATE CALENDAR

Ebro maintains its commitment to transparency and reporting during 2014 and, accordingly, we announce our Corporate Calendar for the year :

26 February	Presentation 2013 full year results
2 April	Four-monthly payment of ordinary dividend (0.125 EUR/share)
29 April	Presentation Q1 results
2 July	Four-monthly payment of ordinary dividend (0.125 EUR/share)
30 July	Presentation H1 results
2 October	Four-monthly payment of ordinary dividend (0.125 EUR/share)
30 October	Presentation Q3 results and outlook FY2014
22 December	Payment of ordinary dividend (0.125 EUR/share)



Disclaimer

- o To the best of our knowledge, the estimates contained in this presentation on the future growth of the different businesses and the overall business, market share, financial results and other aspects of the company's operations and position are accurate as at the date hereof.
- o All the figures set out in this report are calculated according to the International Accounting Standards (IAS).
- o This presentation includes forward-looking statements which represent expectations and beliefs concerning future events that involve risks and uncertainties which could cause actual results to differ materially from those currently anticipated.
- o Analysts and investors should not rely exclusively on these estimates, which are valid only at the date of this presentation. Ebro Foods does not undertake any obligation to update or supplement any forward-looking information as a result of new information, future events or circumstances occurring after the date of this presentation, including, though by no means limited to, changes in the Ebro Foods businesses or in its acquisitions strategy, or to reflect unforeseen events. Analysts and investors are advised to consult the company's Annual Report and the documents filed with the authorities, especially the National Securities Market Commission (CNMV).
- o The main risks and uncertainties affecting the Group activities are described in Note 28 of the Consolidated Annual Accounts as at 31 December 2013 and the corresponding Directors' Report, which are available on our web site www.ebrofoods.es. In our opinion there have been no material changes during the year. The Group is exposed to a certain extent to the situation on commodity markets and the possibility of passing any price changes on to consumers. It is also exposed to fluctuations in exchange rates, especially of the dollar, and interest rate variations.

