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RESULTS

9M and 2019 Outlook

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BUSINESS UNIT RESULTS 9M19 AND 2019 OUTLOOK



1.1.1 Rice 9M19 and 2019 Outlook

- During 3Q, the US harvest was completed and the European harvest began. The US harvest was approximately 20% down on the previous year, due to severe rainfall during the spring which led to a reduction in the planted area. Market prices are rising as a result, but we have sufficient provisions to take us through to the end of the year. The European harvest looks positive except for Andalusia, which has struggled with salinity issues and is expected to see production drop by 15%, which may push prices upwards.
- Sales figures are performing very well across Europe, where our brands continue to grow, while the rest of the market remains flat. We are coming to the end of a very good year in Spain, France, the UK and Thailand.
- During 3Q, we acquired renowned Basmati brand Tilda for USD342 million. Tilda was the first company to bring Basmati rice to Europe 40 years ago and now sells rice in over 50 countries, with a significant market share in the UK, the Middle East, North America and India. Tilda further consolidates our position as leaders in the premium segment.
- We are waiting to see how Brexit will unfold and how it will affect us, although in theory, it should be positive for us given the extent of our industrial footprint in the UK.
- In the US, following the issues at the Freeport and Memphis plants, we made some organisational changes and are now starting to see improvements in terms of productivity.



1.1.2 Rice 9M19

- As a result, sales increased 9.2% y-o-y to EUR1,134.5 million, despite having cancelled the non-profitable business volumes from Freeport.
- Advertising investment rose by 18.6% (EUR4 million) to EUR25 million.
- The Division's Ebitda grew by 18.3% to EUR140 million. The growth rate was higher than in previous quarters, and on a standalone basis, the quarter regained the rate last seen in 3Q17. At the same time, the entry into force of IFRS 16 had a positive impact of EUR2.7 million. Currency exchange had a positive effect of EUR4.2 million. Tilda was consolidated in September and contributed EUR1.3 million.
- Operating Profit for 9M19 climbed 6.2% to EUR101 million, driven by a 23% uptick in 3Q on a standalone basis.

EUR Thous.	9M17	9M18	9M19	19/18	CAGR 19/17
Sales	975,124	1,038,516	1,134,457	9.2%	7.9%
Advertising	21,727	21,126	25,064	18.6%	7.4%
Ebitda	153,741	118,176	139,832	18.3%	-4.6%
Ebitda Margin	15.8%	11.4%	12.3%	-	-
Ebit	129,395	90,476	104,318	15.3%	-10.2%
Operating Profit	134,337	94,996	100,861	6.2%	-13.4%



1.1.3 Rice 2019 Outlook

- We expect the division's year-end sales to climb 10% to EUR1,553.5 million, with Tilda contributing EUR47 million.
- Advertising investment is set to grow by EUR7.1 million (26.3%) to EUR34 million.
- Ebitda will grow by 20% to EUR193.8 million, and the Ebitda margin will climb by 100 b.p. to 12.5%. Tilda's contribution will stand at EUR6 million. If the exchange rate remains at current levels, then it will have a positive impact of EUR5 million. On a standalone basis, growth in the third quarter came in at 23%, with a margin of close to 13%.

EUR Thous.	2017	2018	E2019	E19/18	CAGR E19/17
Sales	1,345,026	1,412,702	1,553,474	10.0%	7.5%
Advertising	28,088	26,969	34,056	26.3%	10.1%
Ebitda	205,988	161,933	193,805	19.7%	-3.0%
Ebitda Margin	15.3%	11.5%	12.5%	-	-
Ebit	172,522	123,857	145,931	17.8%	-8.0%
Operating Profit	174,027	125,390	140,711	12.2%	-10.1%



1.2.1 Pasta 9M19 and 2019 Outlook

- Wheat harvests have been poor across all producer countries, with France and Spain being the only countries to produce good quality harvests. Despite high stock levels during the previous campaign, there have been considerable price hikes in the wheat market. Fortunately, the Group has more than sufficient provisions in place, especially in the US, where they will take us through to 2Q 2020.
- In Europe, this year our policy to reduce promotions and improve our sales mix is proving successful and producing returns for the brand and for the distributor.
- In North America, we registered very positive results in Canada, seeing our market share grow and strong take-up of our latest product launches. In the US, we had to face numerous logistical difficulties due to problems with our new Northeast distribution centre, which impacted on returns and sales. These issues have now been resolved. We are seeing positive growth in our core brands and noodles.
- Fresh pasta is performing well and has recorded sharp growth in both Bertagni and Lustucru. Olivieri still holds a 48% market share in a highly competitive market.
- Monterrat is having a difficult year due to the pork crisis and the highly competitive sandwich business in France.
- During 3Q, we sold Alimentation Santé for EUR58 million, resulting in capital gains of EUR17.2 million in under three years.



1.2.2 Pasta 9M19

- Turnover grew 4.8% to EUR948.8 million, building on the trend seen in recent quarters.
- We boosted advertising by 2.3% to EUR44.8 million, looking to improve our mix.
- Following a change of mix, the Division's Ebitda grew by 7.7% to EUR107.1 million and posted margin growth of 3 b.p., despite the increased price of durum wheat and the negative contribution of Roland Monterrat. The new accounting treatment of leases contributed positively with EUR5.4 million. The exchange rate had no impact on these results.
- The new IFRS 16 increased amortisation charges, meaning Ebit fell by 1% to EUR63.7 million.

EUR Thous.	9M17	9M18	9M19	19/18	CAGR 19/17
Sales	870,963	905,422	948,821	4.8%	4.4%
Advertising	50,054	43,823	44,825	2.3%	-5.4%
Ebitda	111,034	99,467	107,131	7.7%	-1.8%
Ebitda Margin	12.7%	11.0%	11.3%	-	-
Ebit	78,822	64,302	63,667	-1.0%	-10.1%
Operating Profit	76,718	62,610	58,246	-7.0%	-12.9%



1.2.3 Pasta 2019 Outlook

- We expect the Division's year-end sales to climb 2.2% to EUR1,294 million, as the policy to reduce promotions will have a greater impact during the final quarter.
- Advertising investment will be reduced by 4.2% to EUR60 million.
- Ebitda will grow by EUR6.8 million to EUR160 million, regaining margin growth of 15.3% during the final quarter – on a standalone basis – as a result of the improved mix. If the exchange rate remains at current levels, it will have a positive impact of EUR0.87 million. Since Bertagni has been integrated into the Group, it has grown by close to 50%; the change in the scope of consolidation will provide EUR3.1 million, this company having been consolidated as from April 2018.

EUR Thous.	2017	2018	E2019	E19/18 CAGR	E19/17
Sales	1,184,816	1,265,957	1,294,048	2.2%	4.5%
Advertising	65,571	62,688	60,045	-4.2%	-4.3%
Ebitda	158,861	153,170	159,935	4.4%	0.3%
Ebitda Margin	13.4%	12.1%	12.4%	-	-
Ebit	114,890	104,546	98,457	-5.8%	-7.4%
Operating Profit	100,604	97,848	90,989	-7.0%	-4.9%



CONSOLIDATED GROUP RESULTS 9M19 AND 2019 OUTLOOK



2.1 P&L 9M19

- The consolidated sales figure grew 7.2% to EUR2,035.2 million, showing a healthy increase in business.
- Advertising investment grew by 5.8% to EUR69.4 million.
- Ebitda grew by 13% to EUR236.8 million. The exchange rate had a positive effect of EUR4.6 million on Ebitda. The entry into force of the new IFRS 16 (Leases) added EUR8.7 million to this figure. On a standalone basis, 3Q saw the Ebitda contribution regain 2017 levels, growing by 31% to EUR77.5 million.
- Operating Profit grew 0.6% to EUR150.5 million, as this year saw a lower positive extraordinary income – following the sale of the SOS business in Mexico during 2018 – and a higher negative extraordinary income, primarily due to restructuring costs in North America.
- Net profit grew by 15.1% to EUR114.7 million. The results for Alimentation Santé have now been deconsolidated and, as a result, the comparative figures for previous years have also been removed, only appearing in the net figure.

EUR Thous.	9M17	9M18	9M19	19/18	CAGR 19/17
Sales	1,806,332	1,897,666	2,035,209	7.2%	6.1%
Advertising	71,812	65,632	69,430	5.8%	-1.7%
Ebitda	257,607	209,620	236,854	13.0%	-4.1%
Ebitda Margin	14.3%	11.0%	11.6%	-	-
Ebit	200,578	146,287	157,580	7.7%	-11.4%
Operating Profit	203,622	149,593	150,542	0.6%	-14.0%
Pre-tax Profit	198,661	146,977	148,789	1.2%	-13.5%
Net Profit on Continuing Operations	134,178	105,139	107,504	2.2%	-10.5%
Net Profit	127,998	99,727	114,747	15.1%	-5.3%
ROCE	16.6	11.9	11.7	-	-



2.2 P&L 2019 Outlook

- Group sales are forecast to grow significantly by 6.5% to EUR2,784.6 million, in spite of lower volumes at Freeport and reductions in promotions.
- By year-end, we forecast that we will have invested a further 5.8% in Advertising, taking the total to EUR94 million and maintaining the same investment rate as in previous months.
- Ebitda will grow by 11% to EUR340.6 million and, if it remains at this level, the exchange rate will contribute EUR5.9 million. IFRS 16 will provide EUR12 million. Tilda is forecast to contribute EUR6 million.
- We expect Net Profit to increase 12.4% to EUR159 million.

EUR Thous.	2017	2018	E2019	E19/18	CAGR E19/17
Sales	2,473,381	2,613,947	2,784,576	6.5%	6.1%
Advertising	92,551	89,014	94,153	5.8%	0.9%
Ebitda	354,884	307,468	340,595	10.8%	-2.0%
Ebitda Margin	14.3%	11.8%	12.2%	-	-
Ebit	276,784	220,131	229,591	4.3%	-8.9%
Operating Profit	269,633	216,561	219,631	1.4%	-9.7%
Pre-tax Profit	263,035	211,721	211,556	-0.1%	-10.3%
Net Profit on Continuing Operations	229,207	149,311	151,383	1.4%	-18.7%
Net Profit	220,600	141,589	159,203	12.4%	-15.0%
ROCE	12.3	12.0	NA	-	-



2.3 Debt Performance

- We ended 9M19 having increased our net debt by EUR321 million to EUR1,041 million on last year, after making significant investments in growth Capex but, above all, thanks to the acquisition of Tilda (which stands at USD342 million) and the allocation of leases as debt (which stands at EUR90 million). We should note that the put options that we have with minority shareholders of certain businesses amount to EUR161 million.
- Equity grew EUR146 million y-o-y to EUR2,257 million.
- During these nine months, Capex grew to EUR107 million and we expect it to reach EUR158 million by year-end. The most significant projects currently underway are as follows:
 - The new La Rinconada rice plant.
 - The new lines of skillet Gnocchi in Canada.
 - Investments to optimise distribution in France.
 - The expansion of the RTS facility in Memphis (packaging lines).
- By year-end – and bearing in mind that Tilda will have only contributed for four months – we forecast the ND/EBITDAE19 multiple to reach just under 3 times.

EUR Thous.	30 Sep 17	31 Dec 17	30 Sep 18	31 Dec 18	30 Sep 19	E31 Dec 19	E19/18	CAGR E19/17
Net Debt	454,652	517,185	719,443	704,621	1,040,721	1,015,186	44.1%	40.1%
Average net debt	407,560	426,042	578,822	627,350	790,981	NA	NA	NA
Equity	2,002,291	2,074,637	2,111,154	2,162,334	2,256,975	2,270,646	5.0%	4.6%
ND Leverage	22.7%	24.9%	34.1%	32.6%	46.1%	44.7%	50.1%	33.9%
AND Leverage	20.4%	20.5%	27.4%	29.0%	35.0%	NA	NA	NA
x Ebitda (ND)		1.44		2.27		2.98		
x Ebitda (AND)		1.19		2.02		NA		



CONCLUSION



3. Conclusion

- The increased price of raw materials during the last quarter prevented us from stepping up our advertising expenditure as we had planned. However, Group sales continue to grow at a healthy rate.
- In recent years, we have made fewer business acquisitions due to a lack of opportunities. However, in 3Q, we were able to acquire Tilda, one of the companies that we have always had in our sights as it complements both our business and our factory footprint in the UK and India.
- Our capital reinvestment in recent years has focused on organic growth, due to low financing costs and high valuations. The downside of this strategy is that these investments take longer to mature, resulting in superficially higher debt multiples. We will shortly start to see returns and average net debt levels that we are used to.
- We have completed the sale of our specialist "Bio" business channel. We are still very interested in healthy, organic and plant-based products with a high protein content, which is why our main brands have a specific category for these.
- We will continue to focus on strengthening our strategic businesses: premium, fresh and convenience.



4. Corporate Calendar

As part of Ebro's commitment to complete transparency, below we provide our Corporate Calendar for 2019:

➤ 28 February	Presentation of YE2018 Results ✓
➤ 1 April	Four-month payment of ordinary dividend (EURO.19/share) ✓
➤ 30 April	Presentation of 1Q 2019 results ✓
➤ 28 June	Four-month payment of ordinary dividend (EURO.19/share) ✓
➤ 26 July	Presentation of 1H 2019 results ✓
➤ 1 October	Four-month payment of ordinary dividend (EURO.19/share) ✓
➤ 31 October	Presentation of 9M19 Results and Pre-YE 2019 ✓



5. Calculation of Alternative Performance Measures

According to the guidelines set by the European Securities and Markets Authority (ESMA), the following is a list of the indicators used in this report. These indicators are currently and consistently used by the Group to describe its business performance and their definitions have not been altered:

- Ebitda. Earnings before interest, taxes, depreciation and amortization, excluding results considered as extraordinary or non-recurring (essentially profit earned from transactions relating to the Group's fixed assets, industrial restructuring costs, results from or provisions for lawsuits, etc.).
- EBIT. EBIT is calculated by subtracting the year's amortisations and depreciations from Ebitda.

	30/09/2017	30/09/2018	30/09/2019	2019 - 2018	31/12/2017	31/12/2018	E2019	2019 - 2018
EBITDA	257,607	209,623	236,854	27,231	354,884	307,468	340,595	33,127
Provisions for amortisation	(57,029)	(63,273)	(79,274)	(16,001)	(78,100)	(87,337)	(111,004)	(23,667)
Non-recurring income	6,724	8,485	7,343	(1,142)	11,110	8,702	8,509	(193)
Non-recurring costs	(3,680)	(5,198)	(14,381)	(9,183)	(18,261)	(12,272)	(18,469)	(6,197)
OPERATING PROFIT	203,622	149,637	150,542	905	269,633	216,561	219,631	3,070
Provisions for amortisation	57,029	63,273	79,274	16,001	78,100	87,337	111,004	23,667
EBIT	200,578	146,350	157,580	7,723	276,784	220,131	229,591	20,540

- CAPEX. Capital expenditure - payments for investment in production related fixed assets.
- Net Debt:

	30/09/2017	30/09/2018	30/09/2019	31/12/2017	31/12/2018	E2019
(+) Non-current financial liabilities	454,831	670,291	552,019	472,353	533,612	563,008
(+) Other current financial liabilities	359,668	366,814	774,930	310,194	342,694	657,362
(-) Sum of security deposits payable	(98)	(99)	(100)	(98)	(97)	(100)
(-) Cash and cash equivalents	(364,605)	(316,161)	(285,651)	(269,411)	(171,450)	(204,338)
(-) Derivatives – assets	(12)	(1,735)	(1,368)	(146)	(498)	(1,368)
(+) Derivatives – liabilities	4,868	333	891	4,293	360	622
TOTAL NET DEBT	454,652	719,443	1,040,721	517,185	704,621	1,015,186

- (Average) Net Debt: Average net debt refers to the 13-month moving average based on previous net debt.
- (Average) Working Capital: 13-month moving average of the sum of inventories, trade receivables and provision of services, other receivables less trade payables and other current payables.
- Capital Employed (average). 13-month moving average of the sum of intangible assets, property, plant and equipment and working capital.
- ROCE: Ratio of the average profit/loss after depreciation/amortisation and before tax for the last 12-month period (excluding extraordinary and non-recurring items) divided by the average capital employed, as previously defined.

6. Legal Disclaimer

- This presentation contains our true understanding to date of estimates on the future growth in the different business lines and the global business, market share, financial results and other aspects of business activity and the positioning of the Company. All the data included in this report have been put together according to International Accounting Standards (IAS). The information included herein does not represent a guarantee of any future actions that maybe taken and it entails risks and uncertainty. The actual results may be materially different from the ones stated in our estimates as a result of various factors.
- Analysts and investors should not rely on these estimates, which only cover up to the date of this presentation. Ebro Foods does not assume any obligation to publicly report the results of any review of these estimates that may be carried out to reflect events and circumstances occurring after the date of this presentation - including but not limited to - changes in Ebro Foods business or its acquisitions strategy, or to reflect unforeseen events. We encourage analysts and investors to consult the Company's Annual Report, as well as the documents filed with the Authorities and more specifically with the Spanish National Securities Markets Commission (CNMV).
- The main risks and uncertainties affecting the Group's business are the same as those included in the Consolidated Annual Accounts and the Management Report for the year ending 31 December 2018, which is available at www.ebrofoods.es. We believe that there have been no significant changes during this financial year. The Group still has some exposure to the raw materials markets and to passing on changes in prices to its customers. Likewise, there is certain exposure to fluctuations in the exchange rate, especially the dollar, and changes in interest rates.