



1H10

## 11Q Growing... and Counting

**Ebro**



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# 1

## INTRODUCTION



## 11 Quarters of Growth

- The results posted for the first half of this year confirm a growth trend that began 11 quarters ago. Since 1H07 our EBITDA has grown by more than 50% on constant terms.
- Group turnover is slightly down owing to the price adjustment in raw materials, although growth has continued in volume of sales.
- Thanks to the successful launching of new products, the cost-savings measures implemented, the synergies between rice and pasta and a favourable raw materials scenario, our overall profitability has grown significantly.
- We are still “contrarians”, investing in the launching of new products and in advertising to support them, getting ready for the future economic recovery.
- We close this period with a net debt of 537 MEUR. The divestment in the dairy business, pending approval by the European antitrust authorities, which we hope to obtain soon, will practically wipe out this debt. This excellent position will be crucial for embarking on a new development phase in Ebro, in which we will endeavour above all to consolidate our group as a major player in the “Meal Solutions” segment, offering a broad array of products based on health, pleasure and convenience.
- At the last General Meeting we changed the name of our company to Ebro Foods, S.A. (“Ebro Foods”) and our ticker in SIBE (Spanish electronic trading system) has recently been changed from “EVA” to “EBRO”.
- The Net Profit on Continuing Operations grew by 30.5%.



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# 2

BUSINESS UNITS:  
1H10 RESULTS





2.1

Rice

## RICE



### Good Harvest Forecasts

- Our predictions were confirmed and after rising at the end of 2009 as a result of the purchases made by Philippines, market prices resumed their downward trend.
- The US market has come down and is currently on a par with Thailand in prices, which means our raw material costs have improved in the USA although competition has increased.
- With a very stable raw materials market in Europe, our exports of industrial rice from Spain and Italy have grown, improving our industrial costs through a greater utilization of our plants.
- It has rained and good harvests are expected globally.
- When comparing figures, it should be remembered that we recorded 20 MEUR from Trading in 2008 and this year we have been penalized by 5 MEUR as a result of the duplicated costs in Memphis.
- But in this scenario we can see:
  - A 6% growth in volume of sales of our US brands, giving us a market share of 22%.
  - Growth to 28% of our market share in France, while it remains more or less stable in the rest of Europe.
  - Worldwide consolidation of our microwave products.

## RICE

### Start-Up of the Memphis Plant

- Turnover dropped 9% to 404 MEUR in the first half of the year, in line with the falling raw material prices.
- EBITDA rose 1% but the margin improved to 14.5%. The foreign exchange effect on the division EBITDA is negligible.
- The division ROCE is now over 20%.

| Thous EUR               | 1H08    | 1H09    | 1H10    | 10/09 | CAGR 10/08 |
|-------------------------|---------|---------|---------|-------|------------|
| <b>Sales</b>            | 428.605 | 443.202 | 404.256 | -8,8% | -2,9%      |
| <b>Advertising</b>      | 11.834  | 14.665  | 14.250  | -2,8% | 9,7%       |
| <b>EBITDA</b>           | 61.126  | 58.158  | 58.641  | 0,8%  | -2,1%      |
| <b>EBITDA margin</b>    | 14,3%   | 13,1%   | 14,5%   | 10,5% | 0,9%       |
| <b>EBIT</b>             | 50.791  | 47.627  | 46.957  | -1,4% | -3,8%      |
| <b>Operating Profit</b> | 50.209  | 42.174  | 51.365  | 21,8% | 1,1%       |
| <b>ROCE</b>             | 18,1    | 18,6    | 20,0    |       |            |



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2.2

Pasta

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# PASTA



## Successful Launchings

- The raw materials market was weak during this period, due to the weight of the stocks in Canada, although prices began to rise in June as the worst crop forecasts were confirmed in Europe and Canada.
- We have grown in volume in all our categories on the French market (+12% Panzani pasta), with record market shares.
- The US market is showing slower growth and retail prices are starting to fall. We are managing our market share (0.8% lower) while contribution remains at very high levels.
- Our launchings have been successful in both the USA and France, particularly in fresh pasta with the Lunch Box. We have launched quick-cooking pasta in the USA and new value added products under the Ronzoni Quick and Garden Delight brands.



## PASTA

### All For Pasta

- As in 1Q10, we present fantastic 1H results which cannot be extrapolated to the rest of the year. Turnover has dropped 3.6% year on year to 447 MEUR, due to the lower prices of raw materials.
- The mix of our sales is changing substantially, the most common products being taken over by new products with stronger growth and margin, confirming our correct innovation strategy. A year-on-year growth of 27.5% took the division EBITDA up to 78.7 MEUR, with a margin up 4.6 p.p. to 17.6%, accompanied by a 22% increase in investment in advertising our brands.
- The foreign exchange effect on the EBITDA was positive 1.9 MEUR.
- The ROCE rose 7.6 p.p. to over 27%.



| Thous EUR               | 1H08    | 1H09    | 1H10    | 10/09 | CAGR 10/08 |
|-------------------------|---------|---------|---------|-------|------------|
| <b>Sales</b>            | 464,895 | 463,897 | 447,351 | -3.6% | -1.9%      |
| <b>Advertising</b>      | 22,775  | 24,428  | 29,807  | 22.0% | 14.4%      |
| <b>EBITDA</b>           | 40,138  | 61,711  | 78,662  | 27.5% | 40.0%      |
| <b>EBITDA margin</b>    | 8.6%    | 13.3%   | 17.6%   | 32.2% | 42.7%      |
| <b>EBIT</b>             | 25,266  | 47,432  | 64,519  | 36.0% | 59.8%      |
| <b>Operating Profit</b> | 16,753  | 46,158  | 62,543  | 35.5% | 93.2%      |
| <b>ROCE</b>             | 10.1    | 19.8    | 27.4    |       |            |

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# 3

## EBRO FOODS GROUP CONSOLIDATED 1H10 RESULTS



# 3.1

## Consolidated 1H10 Results



### Growing 11 Quarters in Succession, and Counting

- During the first half of the year we announced the sale of our Dairy Division and, accordingly, that division is presented as Discontinued Operations. For ease of comparison, we include an Annex showing the details of the Dairy division as we have reported them in the past, including consolidated figures contemplating the full contribution of this division.
- Under pressure from falling raw material prices, our consolidated turnover dropped 6% to 849 MEUR.
- After investing 9% more in advertising to 45 MEUR, our consolidated EBITDA grew by 15.5% to 131.9 MEUR, while the margin rose 2.9 p.p. to 15.5%. The evolution of the EUR/USD exchange rate contributed 2.5 MEUR to the 1H10 Ebitda.
- The Net Profit on Continuing Operations was up 30.5% to 55.4 MEUR.
- The company's ROCE without the dairy division was over 20%.

| Thous EUR                                 | 1H08    | 1H09    | 1H10    | 10/09  | CAGR 10/08 |
|---|---------|---------|---------|--------|------------|
| <b>Sales</b>                              | 875.362 | 903.517 | 848.859 | -6,0%  | -1,5%      |
| <b>Advertising</b>                        | 36.525  | 41.563  | 45.388  | 9,2%   | 11,5%      |
| <b>EBITDA</b>                             | 95.400  | 114.087 | 131.846 | 15,6%  | 17,6%      |
| <b>EBITDA margin</b>                      | 10,9%   | 12,6%   | 15,5%   | 23,0%  | 19,4%      |
| <b>EBIT</b>                               | 68.319  | 87.364  | 104.242 | 19,3%  | 23,5%      |
| <b>Operating profit</b>                   | 63.541  | 75.855  | 99.264  | 30,9%  | 25,0%      |
| <b>Profit before tax</b>                  | 22.685  | 60.290  | 91.192  | 51,3%  | 100,5%     |
| <b>Net Profit (Continuing Operations)</b> | 15.014  | 42.434  | 55.364  | 30,5%  | 92,0%      |
| <b>Discontinued Operations</b>            | 63.692  | 56.003  | 19.871  | -64,5% | -44,1%     |
| <b>Net Profit</b>                         | 78.619  | 98.232  | 75.067  | -23,6% | -2,3%      |
| <b>ROCE</b>                               | 12,0    | 16,5    | 20,6    |        |            |



## 3.2

### Evolution of Debt



#### No Net Debt

- Payment for the sale of our Dairy Division is pending authorisation of the transaction by the European antitrust authorities, which we expect to be granted shortly.
- Even without receiving that payment, we reduced our debt during the first half of the year to 537 MEUR.
- Equity rose 13% to 1,356 MEUR.
- With a 40% leverage and the forthcoming receipt for sale of the dairy business, we are in an optimum position to embark on another period of inorganic growth.

| Thous EUR            | 30 Jun 08 | 31 Dec 08 | 30 Jun 09 | 31 Dec 09 | 30 Jun 10 | 10/09  | CAGR 10/08 |
|----------------------|-----------|-----------|-----------|-----------|-----------|--------|------------|
| <b>Net Debt</b>      | 1,248,645 | 1,055,853 | 581,621   | 556,800   | 537,200   | -7.6%  | -34.4%     |
| <b>Average Debt</b>  | 1,193,061 | 1,208,078 | 865,518   | 716,725   | 566,411   | -34.6% | -31.1%     |
| <b>Equity</b>        | 1,158,724 | 1,203,131 | 1,198,012 | 1,280,322 | 1,355,819 | 13.2%  | 8.2%       |
| <b>Leverage ND</b>   | 107.8%    | 87.8%     | 48.5%     | 43.5%     | 39.6%     | -18.4% | -39.4%     |
| <b>Leverage AD</b>   | 103.0%    | 100.4%    | 72.2%     | 56.0%     | 41.8%     | -42.2% | -36.3%     |
| <b>x EBITDA (ND)</b> |           | 3.9       |           | 1.8       |           |        |            |
| <b>x EBITDA (AD)</b> |           | 4.4       |           | 2.3       |           |        |            |



4

CONCLUSION



# 4.1

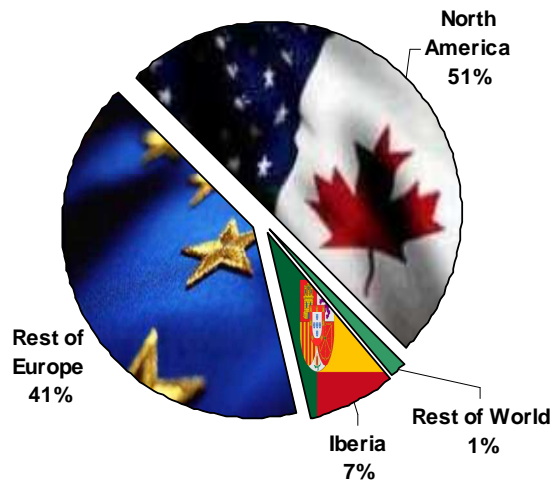
## Conclusion



### 11 Quarters of Growth

- We have been growing for 11 quarters. Since 1H07 our EBITDA has grown by more than 50% like for like. The Net Profit on Continuing Operations was up 30.5%.
- We are getting ready for economic recovery by investing in the launching of a large number of new products underpinned through advertising and communication, considering them to be the vehicle for achieving renewed margins and growth levels.
- The consumption growth rate of our products has returned to normal and even so, we have proved with these results that the differentiation of our products and by supporting our brands, we are able to maintain a 1% growth.
- Once we receive payment for our Dairy Division, our financial position will be outstanding. With zero debt and a target leverage of around x3 ND/EBITDA, we will have sufficient capacity to undertake a new phase of inorganic growth while maintaining a healthy return for our shareholders.

EBITDA by Geographical Zone 1H10



EBITDA by Divisions 1H10







# 5

## ANNEX I Dairy and Consolidated with Dairy



## DAIRY AND CONSOLIDATED WITH DAIRY



### Dairy Division Results

| Thous EUR               | 1H08    | 1H09    | 1H10    | 10/09 | CAGR 10/08 |
|-------------------------|---------|---------|---------|-------|------------|
| <b>Sales</b>            | 263,346 | 222,526 | 224,034 | 0.7%  | -7.8%      |
| <b>Advertising</b>      | 8,439   | 7,772   | 9,016   | 16.0% | 3.4%       |
| <b>EBITDA</b>           | 23,130  | 31,165  | 31,527  | 1.2%  | 16.7%      |
| <b>EBITDA margin</b>    | 8.8%    | 14.0%   | 14.1%   | 0.5%  | 26.6%      |
| <b>EBIT</b>             | 15,470  | 23,707  | 24,361  | 2.8%  | 25.5%      |
| <b>Operating Profit</b> | 14,366  | 23,051  | 24,096  | 4.5%  | 29.5%      |
| <b>ROCE</b>             | 16.2    | 26      | 33.8    |       |            |

### Consolidated Results with Contribution Dairy Division

| Thous EUR                                 | 1H08      | 1H09      | 1H10      | 10/09  | CAGR 10/08 |
|---|-----------|-----------|-----------|--------|------------|
| <b>Sales</b>                              | 1,140,765 | 1,120,204 | 1,069,417 | -4.5%  | -3.2%      |
| <b>Advertising</b>                        | 44,964    | 49,335    | 54,404    | 10.3%  | 10.0%      |
| <b>EBITDA</b>                             | 118,530   | 144,022   | 163,373   | 13.4%  | 17.4%      |
| <b>EBITDA margin</b>                      | 10.4%     | 12.9%     | 15.3%     | 18.8%  | 21.3%      |
| <b>EBIT</b>                               | 83,789    | 109,841   | 128,603   | 17.1%  | 23.9%      |
| <b>Operating profit</b>                   | 77,907    | 97,676    | 123,360   | 26.3%  | 25.8%      |
| <b>Profit before tax</b>                  | 37,371    | 82,353    | 115,995   | 40.9%  | 76.2%      |
| <b>Net Profit (Continuing Operations)</b> | 15,014    | 57,009    | 75,235    | 32.0%  | 123.9%     |
| <b>Net Profit</b>                         | 78,619    | 98,232    | 75,067    | -23.6% | -2.3%      |
| <b>ROCE</b>                               | 12.6      | 17.8      | 22.4      |        |            |





6

CORPORATE CALENDAR



# 6.1

## Corporate Calendar



Ebro Foods maintains its commitment to transparency and reporting in 2010:

|             |   |
|-------------|---|
| 26 February | Presentation 2009 year-end results                |
| 5 April     | Quarterly dividend payment                        |
| 28 April    | Presentation 1st quarter results                  |
| 1 July      | Quarterly payment ordinary dividend               |
| 28 July     | Presentation 1st half results                     |
| 1 October   | Quarterly payment ordinary dividend               |
| 27 October  | Presentation 3rd quarter results and outlook 2010 |
| 22 December | Announcement 2011 dividend against 2010 earnings  |
| 23 December | Quarterly payment ordinary dividend               |



7

DISCLAIMER



# 7.1



## 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 The contents of this presentation are not binding in respect of future actions and entail certain risks and uncertainties. Business results may be affected by numerous factors, causing them to differ considerably from those estimated herein.
- o Analysts and investors should not rely exclusively on these estimates, which are valid only at the date of this presentation. Ebro Foods is not bound to announce the results of any updates of these estimates made to reflect events and 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 on pages 219 ff. of the Consolidated Annual Accounts as at 31 December 2008 and the corresponding Directors' Report, which are available on our web site [www.ebrofoods.es](http://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 raw materials 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.