



# EBRO PULEVA 2007

## From Industrial to Branded

**Ebro PULEVA**  
GRUPO

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# 01



Introduction. What We Were.

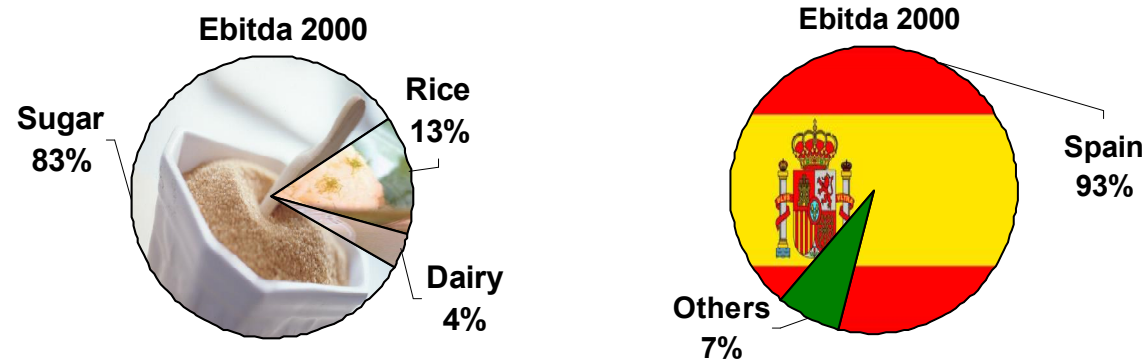
## Introduction.

- Ebro Puleva is the largest Spanish food group, with a turnover close to EUR 2,450 Mio. and net earnings of more than EUR 180 Mio. in 2006.
- Being only a Spanish sugar company in 2000, in the last seven years, we have made a number of strategic moves to arrive to our current structure:
  - In 2000, we merged with Puleva.
  - In 2001, we incorporated Herba.
  - Between 2001 and 2004 we bought up 7 small and medium-sized companies.
  - In 2004, we acquired Riviana.
  - In 2005, we acquired Panzani.
  - In 2006, we acquired New World Pasta and Minute Rice.
  - In 2007, we acquired Birkel.
- Ebro Puleva is world leader in the rice sector, No2. pasta manufacturer, leading Spanish sugar group and leads the marketing of value-added dairy products in Spain.



## Introduction

- An Spanish Sugar Producer:



- Having had a long period of growth through acquisitions, we are currently focusing our resources and efforts on:
  - Integrating the new businesses.
  - Internal management by reducing structure costs.
  - Reducing debt with extensive real estate divestment.
  - Investments in new and modernized facilities.
  - Dramatically increasing brand investment reaching 4.35% of Net Sales (not taking into consideration the Sugar Business).



## Introduction



# 02



Reason for this Shift

## Sugar in Europe, a Highly Regulated Market

- In 2000 it was foreseeable a regulatory change in the highly protected European Sugar Sector which sustained a high price for sugar and beet. Under this perspective we decided to start a diversification strategy.
- On February 2006, the EU Council of Ministers passed the text of the new CMO Sugar, which should have been in force from the marketing year 2006/2007 to the marketing year 2014/2015. The aim of that new CMO was to guarantee a framework for beet and sugar in the EU that could be sustainable in the medium term, taking into account:
  - The foreseeable increase in imports from EBA countries.
  - The disappearance of most of the existing EU sugar exports.
  - The need to reduce the current production volumes to reach a stable balance between sugar supply and demand.





REASON FOR THIS SHIFT ●



## Reason for this Shift

- Unfortunately, much less quota than expected was redeemed during the first two years of the scheme and recently, some new changes have been made to make it more attractive.
- On September 26<sup>th</sup>, the EU Council of Ministers passed the text of the Reform of the New CMO Sugar, which will be in force from the marketing year 2008/2009 to the marketing year 2014/2015. The key new elements of the Reform are:
  - The percentage of the aid to be given to growers has been fixed at 10 percent of the aids granted by the Restructuring Fund for each marketing year (73 EUR per tn. For the marketing year 07/08). The rest (657 EUR) will go to the industry. If the growers do not plant in the marketing year 08/09, the aid will be 65 and 585 EUR per tn. respectively
  - For the 2008/2009 marketing year, growers will receive an one off additional payment of €237.5 per tn. of quota redeemed (equivalent to 3.000/4.000 EUR per hectare).
  - Beet growers will be allowed to directly ask for quota redemption, up to 10 percent.
  - A two step application system is introduced:
    - the first step (deadline 31/1/08).
    - the second step (deadline 31/3/08).



REASON FOR THIS SHIFT ●



## Reason for this Shift II

- The Reform gives incentive to reduce the Spanish beet and sugar production by 50%.
- We will largely adapt our decisions according to the negotiations with the growers in each specific zone in order to maintain sufficient production volumes to operate the sugar factories.
- In any case, our excellent industrial, geographical and market position, and the increase of our refining activities in the South permit us estimate that we will maintain sales of around 500/700 thousand tones a year.
- At this day, given the absence of certain essential information as some of the decisions are subject to negotiations, we can't estimate a detailed business model for our Sugar Division. And it is not foreseeable that this will be the case until the end of January 2008.

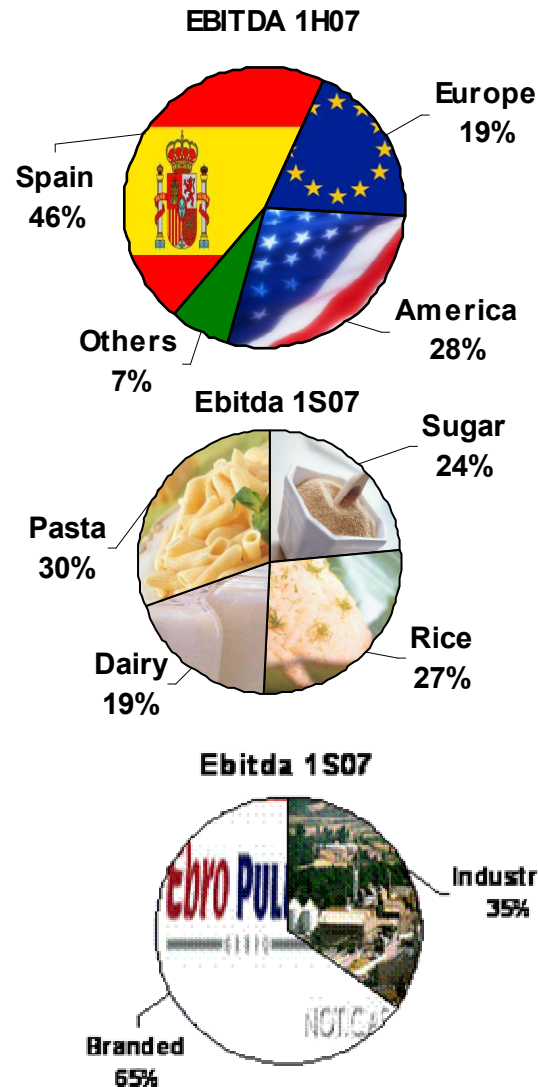
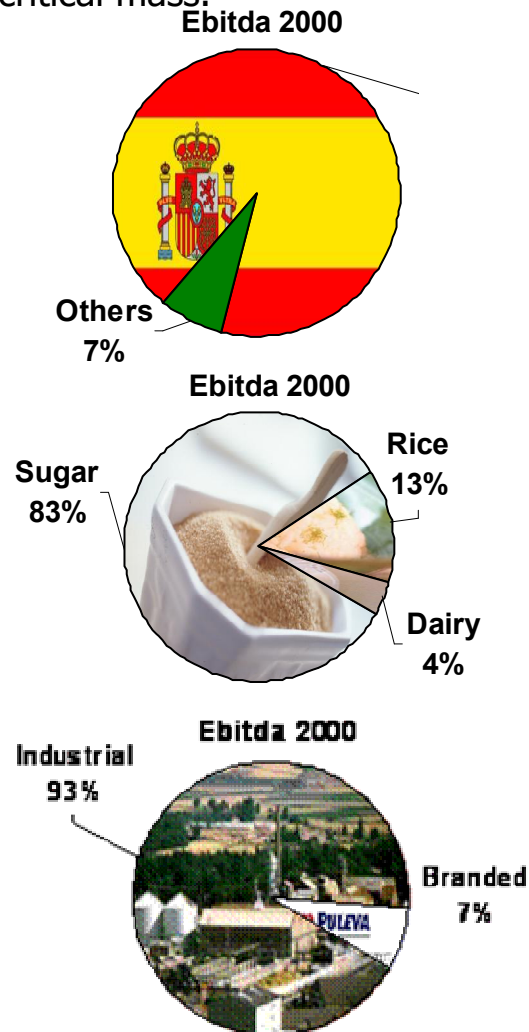
# 03



Ebro Puleva  
What We Have Become

## What We Have Become

- Our starting point was an industrial sugar business, mostly operating in Spain with some diversification in other activities that never achieved the critical mass.



## Some of Ebro Puleva's Most Known Brands



## Branded Market Positions

- Sugar. N1. in Spain.
- Rice. N1. In Spain, Portugal, France, Morocco, Belgium, UK., Germany, Finland, Denmark, Hungary and United States.  
N2. In Austria and Canada.
- Dairy. N1. In value added milks in Spain.
- Pasta. N1. In France, Belgium, Germany, United States and Canada.



## SUGAR

WHAT WE HAVE BECOME

### On Hold Until January 2008

- The results of the sugar division are down on last year. Much of this decline is due to the disappearance of sales to Intervention and exports outside the EU and the turbulence related to the CMO Reform.
- The recently approved amendment of the Reform defines the framework of the sugar business for the period 2009-2014.
- We expect conditions to remain more or less stable for the rest of the year, with a strong performance of by-products.

Thousand EUR	1H05	1H06	1H07	.07/06	CAGR 07/05
<b>Sales</b>	321,774	346,495	317,472	-8.4%	-0.7%
<b>Ebitda</b>	48,388	46,762	37,270	-20.3%	-12.2%
<b>EBITDA Margin</b>	15.0%	13.5%	11.7%	-13.0%	-11.6%
<b>Ebit</b>	42,728	33,899	25,816	-23.8%	-22.3%
<b>Operating Profit</b>	39,817	21,429	21,403	-0.1%	-26.7%
<b>ROCE</b>	18.5	13.9	11.3		



## RICE

WHAT WE HAVE BECOME

### Introduction of new products

- The rice division has achieved growth in sales and margins against a backdrop of rising raw material prices.
- The growth in consumption of brown and special Asian rice was particularly strong in our American subsidiary, rising by 20% and 31%, respectively, which reveals a growing awareness among consumers of wholemeal grains and their health benefits.
- The introduction of microwave products has been very successful in North America and we are expanding our product range in this category.

Thousand EUR	1H05	1H06	1H07	.07/06	CAGR 07/05
<b>Sales</b>	339,597	334,541	383,248	14.6%	6.2%
<b>Ebitda</b>	39,193	31,363	42,770	36.4%	4.5%
<b>EBITDA Margin</b>	11.5%	9.4%	11.2%	19.0%	-1.7%
<b>Ebit</b>	28,474	21,626	32,554	50.5%	6.9%
<b>Operating Profit</b>	28,481	16,211	32,213	98.7%	6.4%
<b>ROCE</b>	13.6	10.3	12.4		



**Ebro PULEVA**  
GRUPO

## Strong, Recurrent Cash Generation

- The dairy division continues to shed products with low contribution. Within this strategy, we have sold our factory in Leon. The savings will start from November.
- The efforts made in the children segment are paying off with spectacular results in both the Puleva Peques brand (growth in volume of 73%) and the products sold under the Puleva Max brand (milk and milk drinks). The product range of these brands will be further expanded this year, with the launching of new innovative products.
- Raw material prices are rising sharply due to the overall shortage of milk. These higher costs have been passed on to consumers in the retail prices (four price increases from June 1st).

Thousand EUR	1H05	1H06	1H07	.07/06	CAGR 07/05
<b>Sales</b>	264,370	254,424	248,784	-2.2%	-3.0%
<b>Ebitda</b>	28,150	29,908	29,820	-0.3%	2.9%
<b>EBITDA Margin</b>	10.6%	11.8%	12.0%	2.0%	6.1%
<b>Ebit</b>	19,473	21,808	22,046	1.1%	6.4%
<b>Operating Profit</b>	15,781	21,093	21,443	1.7%	16.6%
<b>ROCE</b>	14.5	18.0	19.1		



## PASTA

WHAT WE HAVE BECOME

### Defining the New Division

- The higher costs of durum wheat forced us to raise our prices, in March in NWP and April in Panzani. But raw material prices are still going up and we have, consequently, announced new price increases on September, which will offset the latest costs increases.
- In this situation and owing to the weaker position of smaller producers, Panzani has increased its market shares, achieving record levels of 37% for dry pasta, 40% in sauces and 33.2% in fresh pasta.
- NWP has embarked on a process of renovation and innovation, with the presentation of Smartaste a new line of healthy pasta.

Thousand EUR	1H05	1H06	1H07	.07/06	CAGR 07/05
<b>Sales</b>	71,997	240,903	347,178	44.1%	119.6%
<b>Ebitda</b>	9,423	35,538	48,092	35.3%	125.9%
<b>EBITDA Margin</b>	13.1%	14.8%	13.9%	-6.1%	2.9%
<b>Ebit</b>	4,466	24,788	32,940	32.9%	171.6%
<b>Operating Profit</b>	5,231	28,367	32,370	14.1%	148.8%
<b>ROCE</b>	-	16.4	17.1		



## Consolidated Figures 1H07

- Consolidated turnover grew by 12% year on year and 13.5% (CAGR) over 2005.
- A&P increased by 22%, representing 3.4% of sales. If sugar sales are excluded (we almost don't advertise sugar), advertising investment is equivalent to 4.4% of sales.
- EBITDA recorded a strong year-on-year growth of 12.5%.
- Major divestments were made in 1H06. In 1H07, non-recurring items (both positive and negative) were much smaller.
- The company's ROCE is 13.4%.



Thousand EUR	1H05	1H06	1H07	.07/06	CAGR 07/05
<b>Sales</b>	992,538	1,140,535	1,277,757	12.0%	13.5%
<b>Advertising</b>	20,817	34,210	41,795	22.2%	41.7%
<b>EBITDA</b>	121,343	136,320	153,335	12.5%	12.4%
<b>EBITDA Margin</b>	12.2%	12.0%	12.0%	0.4%	-0.9%
<b>EBIT</b>	89,686	94,036	107,957	14.8%	9.7%
<b>Operating Profit</b>	83,579	110,579	117,480	6.2%	18.6%
<b>Profit before Tax</b>	64,989	91,912	74,659	-18.8%	7.2%
<b>Net Profit</b>	47,802	67,797	49,070	-27.6%	1.3%
<b>ROCE</b>	14.1	12.4	13.4		



## Consolidated Debt Structure

- The Net Debt was reduced by EUR 60m year on year. During the last twelve months, we have purchased Minute Rice, sold our Central American businesses and paid out EUR 52,3 Mio. in dividends.
- We are projecting a 3x Net Debt to Ebitda ratio for the end of 2007.

Thousand EUR	31 Dec 05	30 Jun 06	31 Dec 06	30 Jun 07
<b>Net Debt</b>	931,322	1,192,208	1,134,894	1,131,795
<b>Average Debt</b>	841,427	999,347	1,046,354	1,166,921
<b>Shareholders' Equity</b>	1,076,582	1,081,614	1,187,962	1,176,270
<b>Leverage ND</b>	86.5%	110.2%	95.5%	96.2%
<b>Leverage AD</b>	78.2%	92.4%	88.1%	99.2%
<b>x Ebitda (ND)</b>	3.2		3.7	
<b>x Ebitda (AD)</b>	2.9		3.4	



## Raw Materials

- Food companies are living in a very inflationary raw material period. Except for sugar all our raw materials have suffered an important volatility. The reasons are well known, new demand from development countries, persisted droughts, inflexible regulatory frameworks in Western World, the use of cereals for non food purposes, etc.
- On average our raw materials had risen over 50% in the last months and future evolution is not clear.
- Traditionally our raw material prices were fairly stable and the Commercial Agreements with Distributors were annually negotiated with very specific clauses for the renegotiation. The Distributors have accepted the breach of contracts to adapt more quickly the retail price to the raw materials situation but there is always a lag.
- Here are some examples of raw material hikes and retail price hikes in 2007:

Price per Unit in EUR	Jan 07	Sept 07	Sept/Jan 07
<b>Milk</b>	0,332	0,491	47,9%
<b><i>Puleva</i></b>	0,760	0,865	13,8%
Price per Unit in EUR	Ago 05	Ago 07	07/05
<b>Rice</b>	175,0	259,9	48,5%
<b><i>Brillante</i></b>	1,29	1,51	17,1%
Price per Unit in USD	Jan 07	Ago 07	Sept/Jan 07
<b>Durum Wheat</b>	5,52	6,98	26,4%
<b><i>Ronzoni</i></b>	0,609	0,672	10,3%



# 06



What We Will Be

## A Relevant Player in Fast Moving Consumer Goods

- We are working on the integration of the new businesses, restructuring and reorganizing our production map and developing strong marketing teams. All this will lead to major savings and sustainable growth in the long term.
- The inflationary pressure from raw materials produces time lags between the rising costs of raw materials and its transmittion in the retail price. Fortunately our brands are sufficiently strong to withstand this, as captains of the category we lead the price increases.
- We have strong positions on large markets and considerable expertise in the raw material. We are using our brands to open up new sectors, including convenience foods, pastas, purées, porridges and new products under the concept "Meal Solutions". Size was not a factor but, will probably be our next challenge.
- In 2000, we were a Spanish industrial sugar player. In 2007 we are a relevant player in FMCG in North America, Europe and the Mediterranean arch. In 2009, we want to be recognized as one of the leaders in "Meal Solutions".



# 06



Disclaimer

## Disclaimer

- 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 operations and position of the company are accurate as at the date hereof.
- All the figures set out in this report are calculated according to the International Accounting Standards (IAS).
- The contents of this presentation are no guarantee of future actions and entail certain risks and uncertainties. Business results may be affected by numerous factors and, consequently, they may differ considerably from those estimated herein.
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