

TRANSCRIPT OF Q&A AT THE EBRO PULEVA GROUP PRESENTATION OF YEAR-END RESULTS TO ANALYSTS

Questions raised by the representatives of the different analysts

1. Isabel Carballo (Chevreux)

a) As a result of your succesful raw material supply policy in 2008, you have an extraordinary profit (for want of a better word) in pasta and rice, having bought below the real price of the raw material. That would not have to be repeated in 2009. I should like to know how much that “extraordinary profit” amounted to.

R. Antonio Hernández: In pasta there has been no hoarding of raw material, we gradually raised the prices of our products to bring them into line with the price of durum wheat. Therefore, in this division the effect of the situation you mention is non-existent.

In the rice business, we had a strong inventory situation (which on the other hand also affected working capital and debt), which allowed us not to go to the market for three or four months, when prices peaked. The markets are now in a complex situation, in that the price of the raw material for long-grain rice, which is fundamental, is tending to come down, but the prices are still higher than before. The market for japonica, the rice used in paella, is still very expensive because of the drought in Australia, a smaller harvest in Thailand and last year's drought in Spain.

Against this backdrop, our prospects for this year are very good: we are managing the entire stock of raw materials and will probably be able to buy from the new harvest, which will arrive in September, in an ideal position regarding stock management. Consequently, we do not envisage profits this year differing greatly from those of last year.

**b) Could you remind me when the Memphis plant is due to open?
In the new economic scenario existing at present, do you plan to cut advertising expenses?**

R. Antonio Hernández:

The Memphis plant is going to open in phases: the first phase will be completed by around October 2009 and the last phase will be finished by around August 2010.

As for advertising and communication, we are going to continue investing in advertising, if anything we plan to increase these investments, although the costs are now lower in some cases. We shall use a combination of point-of-sale advertising and television adverts. We have not taken our foot off the accelerator, on the contrary, we are constantly putting it down.

2. Jaime Sémelas (Banesto Bolsa)

a) The US pasta market is growing at a rate of 5% in volume. American Italian Pasta (AIP) is reporting growth rates of around 15%. Where do you fit into this?

R. Antonio Hernández: In the United States, unlike Europe, there are only three major manufacturers: we are first, followed by Barilla and AIP is in third place.

AIP lost a lot of its market share as a result of its financial situation and what it is doing now is growing in the private label environment and, above all, securing their financial position, which is important because it is a mainstay for the sector yield. In other words, in the United States private label manufacturers go for profitability, which gives a base and firm support for other companies. There is a time lag between the numbers reported by AIP and ours, their financial year ends in September and what they presented three weeks ago are the figures for their first quarter, which ends in December, so they have not grown by 15% year on year. In the United States we recorded a 7% growth in January.

b) If you were getting rid of the more expensive stocks of raw material in the third-quarter results, what you are doing now is selling at a discount. When will this be reflected in the results?

R. Antonio Hernández: As I mentioned earlier, we have no stocks in pasta and in rice we have two different markets: the United States and Europe.

In the United States we buy at spot prices on a market where they are falling, so we are still favoured by the falling prices of the raw material. In Europe, there is a Common Market Organisation, which establishes a minimum price called the intervention price: the price of the rice plus the duty.

The rice we have still has a lower price than it would cost to obtain supplies now on the world market and we have a position up to harvest, enabling us to maintain significant margins. So we are in a destocking position, but not at a loss, we will still be making a profit, hence our situation from now to October is likely to be very interesting.

c) With regard to returns to shareholders: at present you have a treasury stock of 3.5%. Are you going to carry on increasing it to 5%?

R. Antonio Hernández: At present we have a treasury stock of 3.5%, so the doors are open to do whatever may seem appropriate at any time. The treasury stock is not a commitment, it is a management instrument granted to us by the General Meeting to handle adequately.

3. Jorge Palacios (Santander Investment)

a) You have mentioned a commitment for 2009 to increase your EBITDA considerably on constant terms. Could you give us an idea of what range we are talking about?

R. Antonio Hernández: As you all know, we never give estimates from one year to the next. The only time we do give estimates is in our outlook for year-end, so you will be informed in due course.

b) As regards prices, once the price of the commodity has fallen enough, how is this situation reflected for customers?

R. Antonio Hernández: There are different scenarios: pasta, rice and milk.

In pasta, for the time being there has been no downturn in prices. In the USA, all the manufacturers have consolidated prices, pasta is still a cheap product and consumption continues to increase at current prices. So neither we nor the distribution channels have any interest in lowering them.

In Europe, this pressure might be felt in second brands, never leading brands, so this has not been the case of Panzani. It should also be remembered that the price rise of the raw material was never fully passed on, the product was always below the price marked by durum wheat.

The dairy business fluctuates much more freely. Companies raise and lower prices every month; a manufacturer might be at 0.95 today and 0.89 tomorrow, it is a market far more based on month-to-month management.

Our policy, as I have already mentioned, is to exercise considerable constraint in lowering our prices because we are not a volume-based group, but one steered by value and margins.

As regards rice, our main rival, Uncle Ben's, has just announced a price rise, so we are not in a scenario of falling prices. Bear in mind that we are talking of products that are in the shops at 1.40 €/kg so the prices are well within consumers' reach.

4. Francisco Ruiz (Fortis)

a) Was the increase of €35m in working capital including the sugar division?

R. Jaime Carbó: It is year-on-year, excluding sugar. The regular public reporting can be found on the CNMV site, where you will find all the information in great detail.

b) So the €35m corresponds to the three remaining divisions and would the €35m have to be reverted this year or would the charge against working capital have to be somewhat higher because the raw material prices are lower?

R. Jaime Carbó: This depends on two factors and the countries, although they all operate in the same sense.

In a country where the working capital is heavy, such as France, the new Trade Act establishes a new system for payments by retailers to manufacturers, based on the nature of the asset, stock turnover and whether it is fresh or perishable. That means that we will shorten our collection period this year, which is a positive factor.

On the other hand, all raw materials are expected to be lower on average in 2009 than in 2008 and, as the Chairman mentioned, in rice we have maintained a longer position in 2008 than we will have in 2009. All this means moving in the same direction, reducing the working capital and mobilising an amount which will naturally include those €35m and probably just as much again, to be able to monetize, since it is capital that you won't need to earmark, either because you don't need it or because there is a trend to cut back and you have fewer euros tied up.

c) Could you give us the growth figures for pasta volumes excluding Birkel?

R. Jaime Carbó: That is a very complicated comparison because Birkel was consolidated for four months in 2007, so it would be necessary to isolate its contribution this year, look at the previous year, etc.

d) Bearing in mind that the sugar results were much lower than you had forecast, is there a clause with British to review prices? Could you tell us the associated debt of Azucarera?

R. Jaime Carbó: The transaction has been signed with just one condition, that it is approved by Brussels. There is no adverse material change so there is no implication that the results may be greater or lesser.

As regards the debt, as you know, Azucarera suffers substantial fluctuations in debt from month to month, depending on whether it is in campaign or not, so the picture will vary considerably depending on whether Brussels approves the transaction against the March or April balance sheet.