

Ebro

Presentation of
Results Q1 2014

2014



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Business Units

Q1 2014 Results

01



Rice Division

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Rice Division

- World rice prices dropped to around 400 USD/tonne when Thailand stormed the market. This has led to:
 - Sourcing of Indica rice varieties at a lower price than in the previous crop year.
 - Using rice from Thailand for our northern European subsidiaries, which prevents our parboiling plants in Spain from spreading their fixed costs, but at the same time lowers the cost of supplies for those subsidiaries.
 - More competitive Japonica rice prices, increasing the yield of subsidiaries in Spain, Italy and Portugal.
- In general, the raw material market is stable at low prices, except for specialties (basmati, risotto, etc.).
- With regard to the problems we faced last year:
 - Basmati rice has been stable throughout the quarter, but at high prices. The plant in India is operating at over 80% capacity with a constantly improving yield, although we are still finding our feet there so certain adjustments are needed.
 - In the USA, the drought in Texas is still pushing raw material prices above world market levels, which rules out any possibility of exporting and increases competition on the domestic market.
 - Business has improved considerably in Morocco, although in Q1 we are still feeling the effects of the surplus rice from last year. We expect this positive trend to continue and even improve with the commencement of Ramadan.



Rice Division

- o As for the development of our business:
 - o In Europe the performance of our brands has been outstanding, with close to double-digit growth in France and a remarkable growth in Brillante sales.
 - o The first quarter was positive in North America, with growth in the higher value-added categories but a weaker performance of the more basic categories in both Riviana and ARI, owing to the fiercer competition on the US domestic market.
- o Overall, the division turnover was slightly down at EUR 276.2 million.
- o Although we expect investment in advertising to remain stable in its annual total, it dropped EUR 1.9 million during this quarter owing to the effect of the advertising campaign calendar.
- o The division EBITDA fell EUR 0.5 million to EUR 35.4 million, owing to a negative foreign exchange effect of EUR 0.6 million.
- o The huge capacity of ARI and the poor results obtained have penalised all the profitability ratios, causing a decline in ROCE to 14.7%.

Thous. EUR	1Q12	1Q13	1Q14	14/13	CAGR 14/12
Sales	277,510	278,658	276,181	-0.9%	-0.2%
Advertising	8,118	7,877	5,975	-24.1%	-14.2%
EBITDA	35,730	35,899	35,374	-1.5%	-0.5%
EBITDA Margin	12.9%	12.9%	12.8%		
EBIT	28,888	29,388	28,712	-2.3%	-0.3%
Operating Profit	28,380	28,665	27,904	-2.7%	-0.8%
ROCE	18.6	18.3	14.7		

Pasta Division

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Pasta Division

- Durum wheat prices were pushed up in March by the logistics problems caused by frozen roads in the Great Lakes region of Canada and the Ukrainian crisis in Europe, returning to the levels recorded one year ago. Even so, for the time being we do not consider it necessary to raise our prices, since sowing intentions are good in both USA and Canada and raw material price adjustments are already being made.
- In Europe we have relaunched all the classic fresh pasta and sauce products:
 - With new formulas and enhanced quality
 - Modernizing and improving the packaging
 - Underpinned with a major advertising campaign.
- We have achieved double-digit growth in sales volumes of these products. In the second quarter we will renovate our dry pastas, sales of which have slipped during this quarter.
- The development of business has also been very satisfactory in North America where, despite tough competition with very aggressive promotion campaigns (especially in Canada where promotions accounted for up to 80%), we have increased our sales volumes in almost all our white pasta brands. The launchings of Gluten Free and 150 Calorie pasta are going according to plan with good results.
- We are working on the consolidation between Olivieri and Catelli and the results so far are encouraging, thanks to the market potential and the strong value of our brands.



Pasta Division

- These are the first results that include our acquisition of Olivieri in Canada. Olivieri has contributed CAD 18 million in sales and CAD 1.9 million to EBITDA. We have excluded the Birkel figures from the consolidation for ease of comparison.
- The division turnover rose 6% to EUR 234.7 million over the quarter, up EUR 1 million year on year stripping out the Olivieri effect.
- EBITDA soared 19.4% to EUR 35.4 million, pushed up by the renovated product ranges in France, the success of the new products in the USA, EUR 1.3 million contributed by Olivieri and a lower cost of supplies. An adverse foreign exchange effect of EUR 0.7 million.
- The EBITDA margin rose again to 15.1% and ROCE to 26.6%, both considered excellent for brand-orientated food businesses.

Thous. EUR	1Q12	1Q13	1Q14	14/13	CAGR 14/12
Sales	247,397	221,558	234,656	5.9%	-2.6%
Advertising	13,562	15,551	13,880	-10.7%	1.2%
EBITDA	32,144	29,630	35,380	19.4%	4.9%
EBITDA Margin	13.0%	13.4%	15.1%		
EBIT	25,394	23,096	28,072	21.5%	5.1%
Operating Profit	24,657	22,703	27,263	20.1%	5.2%
ROCE	23.3	24.8	26.6		

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Ebro Foods Consolidated Q1 2014 Results





Consolidated Q1 2012 Results

- The Group achieved a year-on-year growth of 2.6% in turnover to EUR 500 million. On a like-for-like basis turnover remained constant, which is quite an achievement since the average raw material prices during the quarter were lower than in Q1 2013.
- The advertising campaigns are running somewhat slightly behind last year's calendar, as a result of which investment was down EUR 3.5 million year on year to EUR 20 million.
- EBITDA grew by 7.5% to EUR 68.3 million despite the adverse foreign exchange effect of EUR 1.3 million.
- Profit before tax was 23.8% up year on year, boosted by the growth in operating income and the capital gain generated on the divestment in Deoleo, of EUR 9.9 million which offsets the loss recognised in 2013 for the devaluation of its share price.
- Net profit rose 18% to EUR 38.9 million.

Thous. EUR	1Q12	1Q13	1Q14	14/13	CAGR 14/12
Sales	515,502	487,594	500,051	2.6%	-1.5%
Advertising	21,779	23,499	20,015	-14.8%	-4.1%
EBITDA	65,127	63,539	68,310	7.5%	2.4%
EBITDA Margin	12.6%	13.0%	13.7%		
EBIT	51,172	50,164	54,072	7.8%	2.8%
Operating Profit	49,614	48,995	52,511	7.2%	2.9%
Profit before Tax	46,550	48,646	60,242	23.8%	13.8%
Net Profit continuing operations	33,100	32,949	39,121	18.7%	8.7%
Net Profit	32,261	32,918	38,867	18.1%	9.8%
ROCE	20.6	20	17.9		



Evolution of Debt

- We close the first quarter with a net debt of EUR 297.2 million, some EUR 41.1 million less than year-end 2013.
- Equity grew year on year by 0.8% to EUR 1,731.5 million.
- With leverage at 17.2%, we are in a comfortable position to continue seeking inorganic investment opportunities.

Thous EUR	31 Mar 12	31 Dec 12	31 Mar 13	31 Dec 13	31 Mar 14	13/12	CAGR E13/11
Net Debt	331,101	244,804	258,067	338,291	297,163	38.2%	1.1%
Average Debt	218,674	294,114	270,878	260,820	278,604	-11.3%	9.2%
Equity	1,620,521	1,692,209	1,739,921	1,705,756	1,731,490	0.8%	2.6%
Leverage ND	20.4%	14.5%	14.8%	19.8%	17.2%	37.1%	-1.5%
Leverage AD	13.5%	17.4%	15.6%	15.3%	16.1%	-12.0%	6.4%
x EBITDA (ND)		0.8		1.2			
x EBITDA (AD)		1.0		0.9			

Conclusion

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Conclusion

- The Group has got off to a good start in 2014:
 - In the rice division the external factors that dented our results in 2013 are starting to change. Our brand performance is good and our new products are a great success.
 - In the pasta division, where we are in the process of consolidating Olivieri, our latest acquisition, the raw material market is rather unstable and competition is more aggressive with large volumes of promotion sales, yet our brands have come out stronger, growing in sales volumes, yield and market shares.
- During this quarter we have materialized our decision not to progress any further in the possible takeover of Deoleo. After three years in the company we have reached the conclusion that it is a complex sector and we humbly acknowledge that we do not have the expertise required to generate value for our shareholders in this business area. We will continue selling non-strategic assets to lighten our balance sheet and enhance the Group's yield.
- We have admittedly grown exponentially through acquisitions in the past, yet without ignoring any inorganic growth opportunities that may arise, organic growth, necessarily based on R+D, is becoming increasingly more important, as proved by these results.



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 extraordinary 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 2012 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.

