



**TO THE NATIONAL SECURITIES MARKET COMMISSION**

Madrid, 27 July 2016

**Ref.: presentation to analysts announced this morning relating to the results of Ebro Foods Group for the first semester 2016.**

Find enclosed the announced presentation to analyst relating to the results for the first semester 2016 that will be held today in the Board Meeting Room located in the second floor of our Head office in Paseo de la Castellana 20<sup>th</sup>, Madrid.

Yours faithfully,

Luis Peña Pazos  
Secretary of the Board of Directors

## RESULTS 1H16



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## Rice

- Rice has delivered a very satisfactory semester.
- Concerning raw materials we can highlight the following:
  - In Europe, the price of Japonica rice has increased significantly in both in Italy and Spain, affecting the profitability of our paella and risotto branded ranges.
  - The market for aromatic rice has experienced lower levels of price than other years but we start to see a certain reactivation on prices for most of Asian rice that we expect to confirm by October, with the arrival of the new crop from India.
  - In the United States, we expect a very large crop based on a 24% increase in plantings and a record carry-over since 85/86. More specifically in Texas, 40% more of surface has been planted.
  - This allows to expect an improvement in both productivity and competitiveness of our Freeport operation.
- With regards to our companies, we can stress that:
  - We have increased our leadership in RTS, with major growth both in the USA (+15%) and Spain (+30%), broadening our range with new launchings such as the cups of brown rice and quinoa or white and red quinoa by Brillante.
  - In the instant rice segment Riviana remains a strong leader with the brands Minute & Success showing double digit growth in both basmati and jasmine varieties.
  - In the parboiled segment, Sabroz is already a differentiated product which makes grow the full category.
  - In the category of ancient grains, the launchings of SOS quinoa and Brillante quinoa in Spain have being incredibly well received by the market.



## Rice

- We have started the launching of organic rice. The acquisition of Celnat and RiceSelect, together with the know how that Riso Scotti has in this segment will allow us to create a very relevant division in this category.
- In Thailand, the good performance of our business allows us to launch new investments to enlarge our capacities.
- In the United Kingdom, we have launched a new organic growth project with the acquisition of a factory in Bekley and the creation of the company Ebrofrost UK. The main activity of the company will be focused on the categories of frozen products and non pasteurized fresh products.



## Rice

- Sales grow by 0.7% reaching 637.5 MEUR, despite the disinvestment in Puerto Rico, and with a sales mix very much in line with the strategy of the Group: we grow in products with bigger added value and we decrease only in those products that are more commoditized.
- We are still committed with the launching of new products and supporting our brands. Therefore, the advertisement investment rises by 11% reaching 16 MEUR, that is, 17% in CARG 16/14.
- The Ebitda of the Division increases by 14.4% reaching 97.4 MEUR, keeping up with the growth path of previous quarters and recovering the profitability levels experienced before the purchase of SOS and the impact on the draught in Texas in ARI's numbers.
- The exchange rate has not had a relevant effect in these numbers.
- The Division's ROCE still shows a very positive evolution and it rises almost by 2 pp. reaching 18.3%.

Thous. EUR	1H14	1H15	1H16	16/15	CARG 16/14
<b>Sales</b>	549.796	633.328	637.484	0,7%	7,7%
<b>Advertising</b>	11.801	14.560	16.127	10,8%	16,9%
<b>Ebitda</b>	69.247	85.209	97.445	14,4%	18,6%
<b>Ebitda Margin</b>	12,6%	13,5%	15,3%		
<b>Ebit</b>	55.858	71.139	81.926	15,2%	21,1%
<b>Operating Profit</b>	54.515	69.959	90.633	29,6%	28,9%
<b>ROCE</b>	14,8%	16,4%	18,3%		



## Pasta

- With regards to durum wheat markets prices have remained at similar levels to the ones we saw after the corrections of H2 2015, having said that we must also point out that crops in Southern Europe have been of a lesser quality.
- We can highlight the following from North America:
  - The return to growth (+1%) in pasta consumption after some flat years or even with decreases, and this mainly concentrated in the category of wholegrain, where we are the leaders. The new launchings in the segment of "Health & Wellness", such as "Ancient Grains", "Supergreens", Gluten Free (the highest growth segment) and Organics (this same month) are allowing us to recover positioning in the shelves.
  - Market environment is still very competitive and with high promotional rates.
- In Europe, the branded business is growing strongly due to:
  - The success of gnocchi a poeler which driven by a new communication strategy focusing in young consumers and innovations (stuffed) delivers a 45% growth.
  - The success of dry pasta thanks to the launch of a new variety which replicates fresh pasta quality and the development of an advertisement strategy based on building emotional links with the brand.
  - The strong development of the smaller businesses: cous cous cumulates growths higher than 20% during the period. In this sense, we have approved the extension of the capacity of the factory in Vitrolles. The ready meals, on their side, grow by more than 30%, supported by the success of the Banzai Noodles cups in France, where, just as in Portugal, we are already the leaders in this category.



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## Pasta

- Sauces has been the one single European business that did not show good progress due to the strong competition we were confronted with and to the fact of losing some distribution first part of the year. During the last two months this situation has progressively gone back to normal and we start to see growth above 2015 levels .
- We are very happy to announce our entrance in the fresh pizza market in France, an added value segment where we believe we can be a player of reference on the back of our brand goodwill (Panzani) and local know how (Lustucru and Monterrat).
- With regards to the last acquisitions made by the Division:
  - In Garofalo, we have taken over the distribution and marketing in Europe, with a very good start. In countries such as France and Spain, we double the volume and market share and we already are the second Italian brand in these markets.
  - Monterrat had a slight punctual decrease during this first half due to the reduction of private labels in France and adverse weather conditions for snacking which is the main segment of this company. The strategy is to redirect the business model towards a high quality branded one through innovation and the realization of the large synergies that can be obtained within the Group.
  - Celnat's integration is happening timely and mannerly and we are progressing in all relevant synergies that we will see and enjoy from 2017.



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## Pasta

- Turnover increases by 4.2% reaching 609.3 MEUR.
- Investment in the launching of new products which allows us to maintain our differentiation and growth record is clearly seen in the increase of advertisement of 14.7% reaching a level of 35 MEUR.
- The Ebitda of the Division grows by 19% reaching 72.3 MEUR with its margin gaining 15 bp. and rising to 12%.The impact of the currency exchange in the Ebitda is negligible.
- The ROCE estimated in moving average of the last 12 months still suffers from last year's high prices of raw materials and grows by 50 bp., reaching 17.6%.

Thous. EUR	1H14	1H15	1H16	16/15	CARG 16/14
<b>Sales</b>	460.376	584.997	609.292	4,2%	15,0%
<b>Advertising</b>	25.761	30.535	35.038	14,7%	16,6%
<b>Ebitda</b>	66.068	60.828	72.277	18,8%	4,6%
<b>Ebitda Margin</b>	14,4%	10,4%	11,9%		
<b>Ebit</b>	51.564	42.735	51.419	20,3%	-0,1%
<b>Operating profit</b>	51.974	41.840	43.562	4,1%	-8,4%
<b>ROCE</b>	24,7%	17,1%	17,6%		



## 2. EBRO FOODS GROUP CONSOLIDATED RESULTS 1H16



## 2.1 Income Statement 1H16

- Consolidated sales rise by 2%, reaching 1,216.8 MEUR thanks to the good behaviour of both divisions and to the change in the perimeter, which contributes to this figure with 33.6 MEUR.
- After investing 12% more in advertising, the Ebitda grows by 16.4% reaching 164.4 MEUR; in CARG 16/14 it grows by 12%. The contribution by perimeter change is 5.1 MEUR, but with a constant perimeter, the Ebitda would grow a major 12.7%. Currency has not contributed to this result in any significant way.
- During this semester we have positive extraordinary results mainly due to the disinvestment of the business in Puerto Rico and the disposal of an old building from Azucarera (our former sugar division).
- Net Profit increases by 46.6% reaching 87.6 MEUR with an average profitability in ROCE terms of 16.8%.

Thous. EUR	1H14	1H15	1H16	16/15	CARG 16/14
<b>Sales</b>	986.568	1.193.191	1.216.789	2,0%	11,1%
<b>Advertising</b>	37.902	45.449	50.913	12,0%	15,9%
<b>Ebitda</b>	130.805	141.269	164.391	16,4%	12,1%
<b>Ebitda Margin</b>	13,3%	11,8%	13,5%		
<b>Ebit</b>	102.375	108.675	127.731	17,5%	11,7%
<b>Operating Profit</b>	100.918	106.838	135.244	26,6%	15,8%
<b>Profit Before Tax</b>	111.873	96.407	132.899	37,9%	9,0%
<b>Net Profit</b>	72.460	59.627	87.575	46,9%	9,9%
<b>ROCE %</b>	17,4%	15,5%	16,8%		



## 2.2 Debt Evolution

- We end this first semester with net debt position of 461.9 MEUR, or a reduction of 48.3 MEUR vs previous year and this despite having incurred in major acquisitions (RM, RS and Celnat).
- Our Equity remains very close to two BEUR.
- Although we are not expecting any relevant corporate transaction to happen, we remain vigilant to any inorganic development opportunity that may appear.

Thous. EUR	30 June 14	31 Dec 14	30 June 15	31 Dec 15	30 June 16	16/15	CARG 16/14
<b>Net Debt</b>	430.498	405.617	510.182	426.280	461.890	-9,5%	3,6%
<b>Average Net Debt</b>	294.385	333.178	394.536	424.940	413.317	4,8%	18,5%
<b>Equity</b>	1.697.847	1.849.485	1.875.798	1.966.259	1.951.883	4,1%	7,2%
<b>ND Leverage</b>	25,4%	21,9%	27,2%	21,7%	23,7%	-13,0%	-3,4%
<b>AND Leverage</b>	17,3%	18,0%	21,0%	21,6%	21,2%	0,7%	10,5%
<b>x Ebitda (ND)</b>		1,4		1,4			
<b>x Ebitda (AND)</b>		1,2		1,4			





## Conclusion

- We close this first semester with very promising results and that are far better from the one we saw last semester. Having said that, the growth we have enjoyed this first semester we cannot consider that can be extrapolated to the full year.
- The raw materials environment is today still favorable but we start to see signals that could put at risk this stability.
- Our brands improve their market shares. Our marketing departments are making a very good reading of its respective markets and we are getting stronger in those categories which show higher growth potential and with better margins. During the second semester we will keep on supporting with advertisement the good reception that our new products have had in the market.
- We have set the basis to continue growing:
  - Starting new organic growth investments such as the ones in the United Kingdom, Thailand and India due to the strong demand and success of our products.
  - By investing in new projects and ideas of high growth potential and that we think could grow exponentially by means of leveraging on the existing structures of the Group. On this basis we have recently acquired 52% of the company Santa Rita Harinas, a company devoted to the production and commercialisation of flours and ready to cook mixes, supported by a strong R&D and innovation that made it the leader in the premium segment of packed flours.



## Corporate Calendar

Ebro keeps its commitment of transparency and communication for 2016, therefore we provide here our Corporate Calendar for the exercise:

> February 24th	Results Presentation Year-End Closing 2015 ✓
> April 1st	Four-month payment of ordinary dividend (0,18 EUR/acc) ✓
> April 27th	1st Quarter Results Presentation ✓
> June 29th	Four-month payment of ordinary dividend (0,18 EUR/acc) ✓
> July 27th	1st Semester Results Presentation ✓
> October 3rd	Four-month payment of ordinary dividend(0,18 EUR/acc)
> October 26th	3rd Quarter Results Presentation and Pre-Year-End Closing 2016



## Disclaimer

- This presentation contains our true understanding to the date of estimates on the future growth and on the different business lines and the global business, market share, financial results and other aspects of the activity and the positioning of the Company.
- All the data included in this report have been put together according to the International Accounting Standards (IAS)
- The information included herein does not represent a guarantee of our future action and it entails risks and uncertainty. The real results may be materially different from the ones stated in our estimates as a result of different factors.
- Analysts and investors shall not depend on these estimates covering only up to the date of this presentation. Ebro Foods does not undertake the obligation of publicly informing about the results of any revision of these estimates that may be done to reflect the successes or circumstances that may happen after the date of this presentation, including with no limits, changes in the business of Ebro Foods or in the acquisitions strategy or to reflect unforeseen events. We encourage analysts and investors to consult the Company's Annual Report as well as the documents presented to the Authorities and more specifically to the National Stock Exchange Authority (CNMV).
- The main risks and uncertainties affecting the activities of the Group are the same ones included in Note 28 of the Consolidated Annual Accounts and in the Management Report corresponding to the year closed at 31st December 2013 which is available at [www.ebrofoods.es](http://www.ebrofoods.es). We think that no major change has taken place in this exercise. The Group still has certain exposure to the markets of raw materials and to the transfer of changes in prices to its customers. Likewise, there is certain exposure to fluctuations in the exchange rate, specially the dollar, and to changes in the interest rates.
- According to the guidelines set by the European Authority on Markets and Assets, we shall now include the description of the indicators used in this report. These indicators are currently and consistently used by the Group to explain the evolution of its activity and their definition has not been modified:
  - Ebitda. Profit before tax, amortisation and interests without the results considered as extraordinary or non recurrent (basically the ones stemming from the transactions related to the fix assets of the Group, industrial restructuring costs, results or provisions for lawsuits, etc.).
  - Net Debt. Financial liabilities with cost, values of the participations under put/call options qualified as such, and in that case, accrued dividends and pending dividends without liquid assets or equivalent cash.
  - CAPEX. Payments for investments in productive fixed assets.
  - ROCE. Average yield of the assets measured as Operating Profit CAG last 12 months divided by the Net Asset of the period minus Financial Fixed Assets and Goodwill.

