



TO THE NATIONAL SECURITIES MARKET COMMISSION

Madrid, 28 February 2019

Ref.: presentation to analysts announced this morning, relating to the results of Ebro Foods Group for 2018.

Find enclosed the presentation to analyst announced this morning relating to the results for 2018, that will be held today in the Board Meeting Room located on the second floor of our Head office in Paseo de la Castellana 20th, Madrid.

Yours faithfully,

Luis Peña Pazos
Secretary of the Board of Directors



RESULTS
2018

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BUSINESS UNIT RESULTS 2018



1.1.1 Rice 2018

- Harvests closed during the last quarter in Europe and North America. In Italy there was an uptick in short-grain and long-grain rice varieties, while in Spain this only affected long-grain varieties. Long-grain rice prices increased after the EU announced it was activating its safeguarding mechanism to halt tariff-free imports from EBA countries. Prices fell in the US, especially in Texas.
- Most of our brands grew in Europe, while the market remained flat. The success of new microwavable products has led to significant investment to boost capacity. We recently approved a large investment (EUR70 million) in a ready to serve rice plant at La Rinconada (a former sugar factory), where we expect to start seeing results by the end of 2020.
- In North America, we have implemented the various measures that we set out in our last report:
 - we successfully implemented the latest tariff rise in order to offset inflation pressure (raw materials, auxiliary raw materials, distribution and salaries), which had been negatively impacting results,
 - the new microwavable lines in Memphis are now working much better, and
 - we carried out the adjustments in Freeport, with no issues to report.
- However, we are still encountering problems with distribution and employee turnover at factories (particularly Freeport) due to the full employment rate in the US.
- Even though these measures take longer to make an impact, we saw a slight uptick in the 4Q results, which will gradually continue to consolidate over the coming months.



1.1.2 Rice 2018

- The division's year-end sales climbed 5% to EUR1,412.7 million, mainly due to the increase in the price of raw materials and volume growth in Europe.
- Advertising investment fell by EUR1.1 million to EUR27 million, in a year in which we placed greater importance on trade marketing investment.
- EBITDA fell 21.4% to EUR162 million. The latest tariff hike by the US only started to impact results during the last month. The exchange rate had a negative impact of EUR3.5 million on EBITDA.
- EBIT fell 28.2% to EUR123.9 million, primarily due to recent investments to boost capacity, which are already bearing fruit.

EUR Thous.	2016	2017	2018	18/17	CAGR 18/16
Sales	1,283,853	1,345,026	1,412,702	5.0%	4.9%
Advertising	30,135	28,088	26,969	-4.0%	-5.4%
Ebitda	196,264	205,988	161,933	-21.4%	-9.2%
Ebitda Margin	15.3%	15.3%	11.5%		
Ebit	163,561	172,522	123,857	-28.2%	-13.0%
Operating Profit	169,240	174,027	125,390	-27.9%	-13.9%



1.2.1 Pasta 2018

- On the back of a good 2018/19 harvest, the lower price of durum wheat has allowed us to stockpile in order to mitigate any volatility risk in 2019.
- In terms of our businesses:
 - Panzani sales bounced back during 4Q, after the decline in pasta consumption over the summer due to warm temperatures. The so-called yellow vests movement has had a negative impact supply and fresh pasta sales, but a positive impact on the sale of dry products, due to people stockpiling goods. Lower sales during the summer and the negative performance of Roland Monterrat caused a slight decrease in contribution.
 - We increased advertising in Garofalo by 55% during 2018. Following our investments aimed at improving its weighted distribution, it grew significantly, leading growth in the premium dry pasta segment across various markets.
 - Bertagni, the Group's most recent acquisition in the premium fresh pasta market, has been consolidated since April and has provided EUR9.5 million to EBITDA since its acquisition.
 - Riviana Pasta has been affected by distribution problems and the full employment situation in the US, although not to the same extent as the Rice Division. Competition slowed slightly in Canada during 4Q, allowing us to recover margins and return to growth.



1.2.2 Pasta 2018

- The division's year-end sales were up by 6.6% to EUR1,298.5 million. Bertagni contributed EUR60.2 million, with organic growth standing at circa 1.6%, in spite of the aforementioned impact on sales from the heatwave in France.
- Advertising investment was down EUR2.8 million to EUR63.4 million. However, in the last quarter we invested 20.6% more than in 4Q 2017, helping to balance out our investments in advertising and promotion.
- EBITDA fell by EUR6.5 million to EUR156.5 million. Compared to 4Q 2017, EBITDA grew 13.3% and raised the quarterly margin to 15%, further cementing the expected recovery. Currency had a negative impact on EBITDA of EUR1 million.

EUR Thous.	2016	2017	2018	18/17	CAGR 18/16
Sales	1,236,227	1,218,404	1,298,533	6.6%	2.5%
Advertising	70,840	66,154	63,368	-4.2%	-5.4%
Ebitda	157,089	162,977	156,465	-4.0%	-0.2%
Ebitda Margin	12.7%	13.4%	12.0%	-9.9%	-2.6%
Ebit	113,544	117,420	106,366	-9.4%	-3.2%
Operating Profit	93,294	102,050	99,415	-2.6%	3.2%



CONSOLIDATED GROUP RESULTS 2018



2.1 P&L 2018

- Group sales grew by 5.6% to EUR2,646.5 million. Organic growth stands at 2%, a healthy figure considering that the tariff hikes were not fully implemented until 4Q.
- During the last quarter, we increased advertising by 12%, meaning that we invested practically the same amount (EUR92.6 million) as the previous year, in y-o-y terms and at a constant exchange rate.
- EBITDA fell by 13.4% to EUR310.8 million, with currency having a negative impact of EUR4.4 million. The year-on-year Ebitda margin declined by 2.6 pp to 11.7%. If we look at 4Q alone, the measures implemented during 2018 are already bearing fruit, with margins recovering to nearly 14%.
- Net profit fell 36% to EUR141.6 million. For the purposes of comparison, we would note that last year, there was a significant increase in profit, mainly due to the tax-related measures approved in the USA, France and Italy, leading to one-off extraordinary income of EUR56.5 million being entered in the accounts in respect of corporate income tax. Excluding this external effect, and despite difficulties in the year, profits fell by 14%.

EUR Thous.	2016	2017	2018	18/17	CAGR 18/16
Sales	2,459,246	2,506,969	2,646,523	5.6%	3.7%
Advertising	100,401	93,134	89,694	-3.7%	-5.5%
Ebitda	344,141	359,000	310,763	-13.4%	-5.0%
Ebitda Margin	14.0%	14.3%	11.7%		
Ebit	267,308	279,314	221,951	-20.5%	-8.9%
Operating Profit	264,608	271,079	218,128	-19.5%	-9.2%
Pre-tax Profit	259,410	264,131	212,950	-19.4%	-9.4%
Net Profit	169,724	220,600	141,589	-35.8%	-8.7%
ROCE	16.6	12.3	12.0		



2.2 Debt Performance

- 2018 ended with a y-o-y increase in net debt of EUR187.4 million to EUR704.6 million, following significant investments in:
 - raw materials, to guarantee supply due to high volatility in the market,
 - strategic organic growth via CapEx investment,
- the acquisition of Bertagni, including the full acquisition value, even though the ownership stake is only 70%. We would highlight that EUR160.4 million of the Net Debt figure relates to future PUT options commitments negotiated when acquiring Garofalo, Bertagni, Santa Rita and Geovita.
- Equity grew by 4.2% to EUR2,162.3 million.
- Following the aforementioned major investments and given the one-off EBITDA slowdown, ND/EBITDA18 increased to 2.3 times. Excluding temporary impacts, our debt remains at a very manageable level and we continue to look for non-organic opportunities in the market.

EUR Thous.	31 Dec 16	31 Dec 17	31 Dec 18	18/17	CAGR 18/16
Net Debt	443,206	517,185	704,621	36.2%	26.1%
Average Net Debt	404,137	426,042	627,350	47.3%	24.6%
Equity	2,079,326	2,074,637	2,162,334	4.2%	2.0%
ND Leverage	21.3%	24.9%	32.6%	30.7%	23.6%
AND Leverage	19.4%	20.5%	29.0%	41.3%	22.2%
x Ebitda (ND)	1.3	1.4	2.3		
x Ebitda (AND)	1.2	1.2	2.0		





Conclusion

- We reacted to the various extraordinary and, to a large extent, external effects that occurred during the first few months of the year, allowing us to already note signs of recovery during 4Q, which we expect to consolidate further in the coming months.
- We are very pleased with the positive performance of our brands and the take-up of new products.
- Our major organic investments over the last three years have a different return curve to the non-organic investments that we are used to, although we expect them to generate strong growth and returns soon.
- Garofalo continues to grow internationally as one of the Group's premium brands. The acquisition of Bertagni will allow us to expand this concept and not only lead the premium dry pasta category, but also corner the fresh pasta market.
- Harvests were generally good, allowing us to stockpile our raw materials, in order to start 2019 with greater stability.
- To conclude, 2018 was a complicated year, but the final quarter results confirm that the worst is now behind us, and that we are in a good position to take on 2019 and return to the growth we enjoyed in recent years.



Corporate Calendar

As part of Ebro's commitment to complete transparency, below we provide our Corporate Calendar for 2019:

➤ 28 February	Presentation of YE2018 Results ✓
➤ 1 April	Four-month payment of ordinary dividend (EUR0.19/share)
➤ 30 April	Presentation of 1Q Results
➤ 28 June	Four-month payment of ordinary dividend (EUR0.19/share)
➤ 26 July	Presentation of 1H results
➤ 1 October	Four-month payment of ordinary dividend (EUR0.19/share)
➤ 31 October	Presentation of 9M19 Results and Pre-YE 2019



Legal Disclaimer

- This presentation contains our true understanding to date of estimates on the future growth in the different business lines and the global business, market share, financial results and other aspects of business activity and the positioning of the Company. All the data included in this report has been put together according to International Accounting Standards (IAS). The information included herein does not represent a guarantee of any future actions that maybe taken and it entails risks and uncertainty. The true results may be materially different from the ones stated in our estimates as a result of various factors.
- Analysts and investors should not rely on these estimates, which only cover up to the date of this presentation. Ebro Foods does not assume any obligation to publicly report the results of any review of these estimates that may be carried out to reflect events and circumstances occurring after the date of this presentation - including but not limited to - changes in Ebro Foods business or its acquisitions strategy, or to reflect unforeseen events. We encourage analysts and investors to consult the Company's Annual Report, as well as the documents filed with the Authorities and more specifically with the Spanish National Securities Markets Commission (CNMV).
- The main risks and uncertainties affecting the Group's business are the same as those included in Note 28 of the Consolidated Annual Accounts and the Management Report for the year ending 31 December 2017, which is available at www.ebrofoods.es. We believe that there have been no significant changes during this financial year. The Group still has some exposure to the raw materials markets and to passing on changes in prices to its customers. Likewise, there is certain exposure to fluctuations in the exchange rate, especially the dollar, and changes in interest rates.
- According to the guidelines set by the European Securities and Markets Authority (ESMA), the following is a list of the indicators used in this report. These indicators are currently and consistently used by the Group to describe its business performance and their definitions have not been altered:
 - Ebitda. Earnings before interest, taxes, depreciation and amortization, excluding results considered as extraordinary or non-recurring (essentially profit earned from transactions relating to the Group's fixed assets, industrial restructuring costs, results from or provisions for lawsuits, etc.).

	31/12/2016	31/12/2017	31/12/2018	2018 - 2017
EBITDA	344,141	359,000	310,763	(48,237)
Provision for amortisation	(76,833)	(79,686)	(88,812)	(9,126)
Non-recurring income	25,598	11,144	8,973	(2,171)
Non-recurring costs	(28,298)	(19,379)	(12,796)	6,583
OPERATING PROFIT	264,608	271,079	218,128	(52,951)

- Net debt. Financial liabilities with cost, the value of shares and put/call options qualified as such, and where applicable, dividends that have accrued and are pending payment, minus cash and cash equivalents.
- CAPEX. Capital expenditure - payments for investment in production related fixed assets.
- ROCE. Return on capital employed - a measure on yield on assets calculated as income before tax and interest minus any income regarded as extraordinary or non-recurring for the period considered, divided by Net Average Assets for the period, minus Financial Assets and Goodwill.