

## FIRST HALF-YEAR MARKED BY SURGE IN RAW MATERIAL PRICES

<b>Turnover in €M IFRS Standards</b>	<b>1<sup>st</sup> six months 2006</b>	<b>1<sup>st</sup> six months 2007</b>
Turnover	316.0	350.4
Gross profit margin	98.5	100.2
Operating profit from ordinary operations	2.9	1.5
Operating Profit	3.9	1.7
Consolidated net profit	1.8	1.8

**TURNOVER MUCH AFFECTED BY  
RAW MATERIAL PRICES**

Turnover increased by 11% to €350.4 M

Changes to the scope of consolidation contributed €11.7M. This results from two acquisitions which took place in the Premix sector : the Russian company Rossovit and the business of Nutreco in France.

On a like-for-like basis, turnover amounted to €342.2 M, an increase of 8.3%. This progression reflects the significant price rises across the raw materials spectrum, and especially concerning cereals (over the past year increases have been : corn + 43%, wheat + 46%, soy + 20%), but also the good results from the "Nutrition International" division, where volumes increased by 11% over the half-year.

Exchange losses, mainly relating to South Africa and Vietnam negatively impacted on turnover by €3.5 M.

**REDUCTION IN GROSS PROFIT  
MARGIN**

Gross profit margin totaled €100.2 M, representing an increase of 1.8% or €97.9 M, on a like-for-like basis. This slight drop is explained by the difficulties encountered to transfer the raw material price rises onto the retail prices. This is particularly true of the "Nutrition France" division and in mature countries, and to a lesser extent, in the emerging markets.

**OPERATING PROFIT STANDING UP WELL, ON A LIKE-FOR-LIKE BASIS**

Operating profit from ordinary operations came to € 1,5M and €2.4M on a like-for-like basis compared with €2.9 M in 2006. On top of the impact of raw materials on Gross margin, this retreat can be explained by the following :

- The pursuit of the permanent effort made in France to optimize operations, as much on the commercial side, with the project to reduce the number of brands, as on the Supply Chain, notably looking at logistics to counter the negative impact of raw material prices ;
- Extraordinary expense linked to the industrial and commercial reorganization of the French premix activities following the purchase of Nutreco's business. This restructuring has led notably to the total transfer of production volumes and the teams to EVIALIS sites and to proceed with the closing down of the Vigny (Val de Oise) site. The restructuring costs linked to this closure will be met by the seller. Now that this major operation is completed, it has made this activity into a major French player
- Increase in budget for R&D expenditure (from €1.5 M to €2.2 M) in spite of and even due to market difficulties. These developments mainly concern the international network, notably Vietnam, with the building project of the largest privately owned aquaculture research center in the country.

**ONE-OFF RESTRUCTURING COSTS**

Operating profit for the first six months of 2007 comes out at €1.7 M compared with €3.9 M. On a like-for-like basis, it amounts to €2.5 M.

In 2006, it benefited from exceptional operating income of €1.1 M compared with €0.1 M in 2007. This came from an exceptional gain arising from the sale of inactive assets, less €1 M relating to brand depreciation. This write-off, which will be spread over 4 years, did not feature in the accounts at 30 June 2006.

**POSITIVE PRE-TAX OPERATING PROFIT**

After financial costs of €1.2 M, and notwithstanding numerous difficulties over the period, current pre-tax operating profit remained positive at €0.4 M. Moreover it benefited from exceptional tax revenue of €1.4 M, arising from the simplification of the legal structure of the Nutrition France Division and the confirmation of the upward turn of several foreign subsidiaries.

**CONSOLIDATED NET PROFIT OF €1.8 M**

Without change from the previous year, Group consolidated net profit for the first six months was €1.8 M.

**CONTROL OVER BORROWINGS**

Concomitantly with the progression in turnover, the increased value of stock contributes to Working capital needs. External growth (Russia, Premix France) and organic growth (China, Romania) although in part compensated by sale of unutilized assets, also contribute to the debt figure of €61 M net.

In spite of this, and with a net gearing ratio of 62% similar to that of 30 June 2006, EVIALIS clearly has the necessary means to resolutely pursue its external growth as planned within the strategic plan CAP 2010.

**OUTLOOK** As far as raw materials are concerned there seems to be no signs on the horizon that prices will be relaxed in the short or medium term, confirming that this phenomenon is structural, lasting and worldwide. The EVIALIS Group remains very vigilant regarding its purchasing, pricing policies and product formulation, in order to reduce the negative impacts of this problem as much as it can. On the other side of the coin, this situation allows us to bring our technical expertise to the fore in both feed and premix.

Moreover, the maturity of the French market reinforces the necessity for EVIALIS to rebalance its activities towards international markets as soon as possible.

Taken as a whole, the current structural changes (increase in raw material prices, health and safety regulations, environmental standards...) or the future ones (accelerated PAC reforms, WTO agreements...) support and reiterate the strategic orientations as laid down in the CAP 2010 Action plan, based on :

- **Innovation**, enabling the provision of optimal nutritional and economic solutions to the stockbreeders,
- **Internationalization** through organic or external growth, to locate the growth areas where markets are rapidly developing.
- **Optimization** of the French operations to capitalize on a demanding and perfectionist market.

Meeting the year's forecasts is not out of reach, but remains a highly ambitious challenge.

CAP 2010 remains the Group's map and guide.

***EVALIS WILL ANNOUNCE ITS 3<sup>RD</sup> QUARTER TURNOVER ON 7 NOVEMBER 2007***

EVALIS,  
spécialiste international de  
la nutrition-santé animale,  
est coté sur l'Eurolist d'Euronext  
Paris, compartiment C, et est  
intégré dans le CAC Small 90.

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