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Acquisition of Lustucru by Panzani - Creation of the French leader in pasta, sauces and rice

Panzani has finalised yesterday the acquisition from the Skalli group of the fresh pasta, sauces (Lustucru brand) and rice (Lustucru and Taureau Ailé brands) activities of Lustucru, together with the 50% of couscous producer Ferico that Panzani did not own. The "Dry Pasta" activities of Lustucru (dry pasta, semolina and couscous) will be retained by the vendors.

This transaction enables Panzani, controlled by PAI, to broaden its product range and add to its #1 position in dry pasta and ambient sauces the leadership over the fast growing fresh pasta and sauces market as well as on rice, with a well balanced portfolio of leading brands across most segments of dry grocery and traiteur frais. With this acquisition the turnover of Panzani will double, reaching over euros 500m.

Panzani and PAI were advised by Deutsche Bank, and the Skalli group was advised by Rothschild and Clinvest. The debt financing of the transaction has been arranged by Deutsche Bank and Crédit Lyonnais.

Lustucru, headquartered in Marseille, is the French #1 in the fresh pasta market with a 37% market share and the #2 in fresh sauces. Lustucru is also the French leader in rice with its two brands Lustucru and Taureau Ailé (combined 37% market share). The turnover of Lustucru (excluding dry pasta activities) amounts to over euros 200m.

Panzani, headquartered in Lyon, is the French #1 in the dry pasta and ambient sauces with market shares of 35% and 34% respectively; Panzani is also the leader in couscous through its two brands Ferrero and Regia. Panzani has been acquired in early 1998 by an investor group led by PAI. Panzani's turnover amounts to approximately euros 330m.

Guy Callejon, CEO Panzani, said : "this transaction is a major opportunity for Panzani to acquire a strong position in the attractive markets of fresh pasta and rice. Lustucru has demonstrated over the past years a real ability to grow its leadership over its markets. This transaction will broaden Panzani's portfolio with very strong brands in attractive segments".

Amaury de Seze, President of PAI said : "we fully support the acquisition of Lustucru led by Panzani's management. This acquisition reflects our strategy of investing in leading brands on attractive segments, and enables Panzani to become a leading player in dry grocery and traiteur frais".

PAI (formerly Paribas Affaires Industrielles), headquartered in Paris, is one of Europe's leading Private Equity houses. PAI advises and manages investment funds, as well as the holding portfolio of BNP Paribas, for a global amount of about 6 billion Euros. PAI has a sectorial and operational approach, and selectively invests in a limited number of sectors, including the food industry, supported by industry-focused investment teams based in Paris, Amsterdam, Brussels, London, Madrid and Milan. It has successfully acquired first class companies such as Royal Canin, Amora Maille, Antargaz, Beaufour-

Ipsen, Elis, Panzani, Yoplait in France as well as United Biscuits (in the UK) and Mivisa (in Spain).