

July 10, 2001

Masterfoods Holding acquires BNP Paribas' controlling stake in Royal Canin

Masterfoods Holding ("Masterfoods"), a fully owned French subsidiary of Mars, Incorporated ("Mars"), announces that it has entered into an agreement with Paribas Affaires Industrielles ("PAI") for the staged acquisition of BNP Paribas' 56.4% interest in Royal Canin at a cash price of Euro 145 per share, valuing 100% of Royal Canin at Euro 1,514 million (on a fully diluted basis). This price, which will also be offered to the minority shareholders, represents a 29% premium Based on arithmetic average, non-weighted by volume over the last month's average share price and a 20.3x 2000 EBITDA multiple.

COMBINATION OF TWO COMPLEMENTARY BUSINESSES

This transaction represents a very attractive offer for Royal Canin's shareholders and is an important step in both Masterfoods' and Royal Canin's development strategy in the petfood market. Royal Canin's nutritional/health product portfolio is sold mainly through specialist outlets whilst Masterfoods sales are mainly through grocery outlets.

Mr. Dick Raper, Masterfoods CEO, commented: "This is an attractive opportunity to bring together two highly successful businesses with complementary products and expertise in the prepared petfood sector. This transaction will enable Masterfoods and Royal Canin to continue to develop high quality products which will meet the changing needs of consumers in a competitive market served by many suppliers through a diverse range of points of sale."

Mr. Bertrand Meunier, member of the Executive Committee at PAI, said: "We are extremely pleased with this agreement with Masterfoods. We strongly believe this transaction is the best way to allow Royal Canin to pursue its present winning strategy. In addition, we believe we have received a very attractive price for our shareholding."

Mr. Dick Raper added: "Royal Canin's experience and knowledge of the nutritional/health products will fit well with our expertise in the grocery sector. We believe the arrangement between PAI and Masterfoods is in the best interest of all Royal Canin shareholders, its employees and other stakeholders."

Royal Canin will continue to operate as a worldwide entity responsible for the development of nutritional/health petfood products. The intention is that Mr. Henri Lagarde, Chairman of Royal Canin, and his dedicated, focused management team will continue to lead Royal Canin.

Royal Canin and Masterfoods have a great deal in common. Both businesses place a high priority on the full involvement of their employees and will keep them fully informed as the transaction progresses. Both businesses have strong, complementary bases in technology and nutritional research. Both companies have distinct and successful business strategies. This arrangement represents an excellent opportunity to build both the businesses to the benefit of customers and consumers.

DETAILS OF THE TRANSACTION

Subject to the prior approval by the European Commission, Masterfoods will acquire 10% of Royal Canin from BNP Paribas at a price of Euro 145 per Royal Canin share.

Immediately after this preliminary step, Masterfoods will launch an unconditional tender offer ("garantie de cours") at a price of Euro 145 per share. Should BNP Paribas and Masterfoods, in concert, reach more than 95% of the voting rights of Royal Canin following the "garantie de cours", they plan to make a public offer of withdrawal followed by a mandatory withdrawal.

The parties have entered into put and call arrangements on the basis of Euro 145 price per share such that Masterfoods could own 80.05% of the shares on a fully diluted basis and of the voting rights after the offer and the exercise of the first put/call options. A second put/call option will allow Masterfoods to acquire the remaining shareholding of BNP Paribas in Royal Canin by 2003 on the basis of the same price of Euro 145 per share plus interest.

Masterfoods intends that all cash generated by Royal Canin will be reinvested in the long-term development of Royal Canin's global business and will not be available for distribution as dividends to any shareholder remaining after the initial public offer.

Following the required approval from the European Commission and in agreement with the stock exchange authorities, the exact timing and terms for the "garantie de cours" will be communicated.

JPMorgan acted as exclusive financial advisor to Masterfoods and BNP Paribas acted as financial advisor to PAI.

Royal Canin is a major supplier of nutritional/health petfood products. The group's sales in 2000 were Euro 425 million. It has operations in around 100 countries and employs 1,360 people in 6 factories and 14 subsidiaries. Royal Canin is quoted on the Paris Stock Exchange.

Masterfoods Holding operates in three sectors: snackfood, food and petfood. It has manufacturing operations at 5 different locations in France and employs 2,350 associates. Masterfoods Holding is the French holding company for Mars, Incorporated, a privately held corporation.

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