

# Campofrio Food Group 2011 First Quarter Earnings Call



11<sup>th</sup> March 2011

# **AGENDA**

**Highlights of the  
period**

**Q1 2011 Trading**

**Conclusion**

## Highlights of the period

- **Economic conditions challenging in Southern Europe, improving in Northern Europe**
- **Emphasis on innovation, investment in brand building and net price realization will turn to top line growth**
- **Focus on long term growth**
- **New commodity context with higher raw material prices, especially on meat, causing a negative impact on our Q1 margins**
- **Q1 2011 showing a higher level of operating cash flow**

# Highlights of the period

## Innovation: CFG best brands to develop “3 European concepts”

Snacking and  
“on the go  
formats”



Health: clean  
label & light  
concept



“Value for  
money”  
range



# Highlights of the period

## Brand building

### 1- FAIRS AND EVENTS



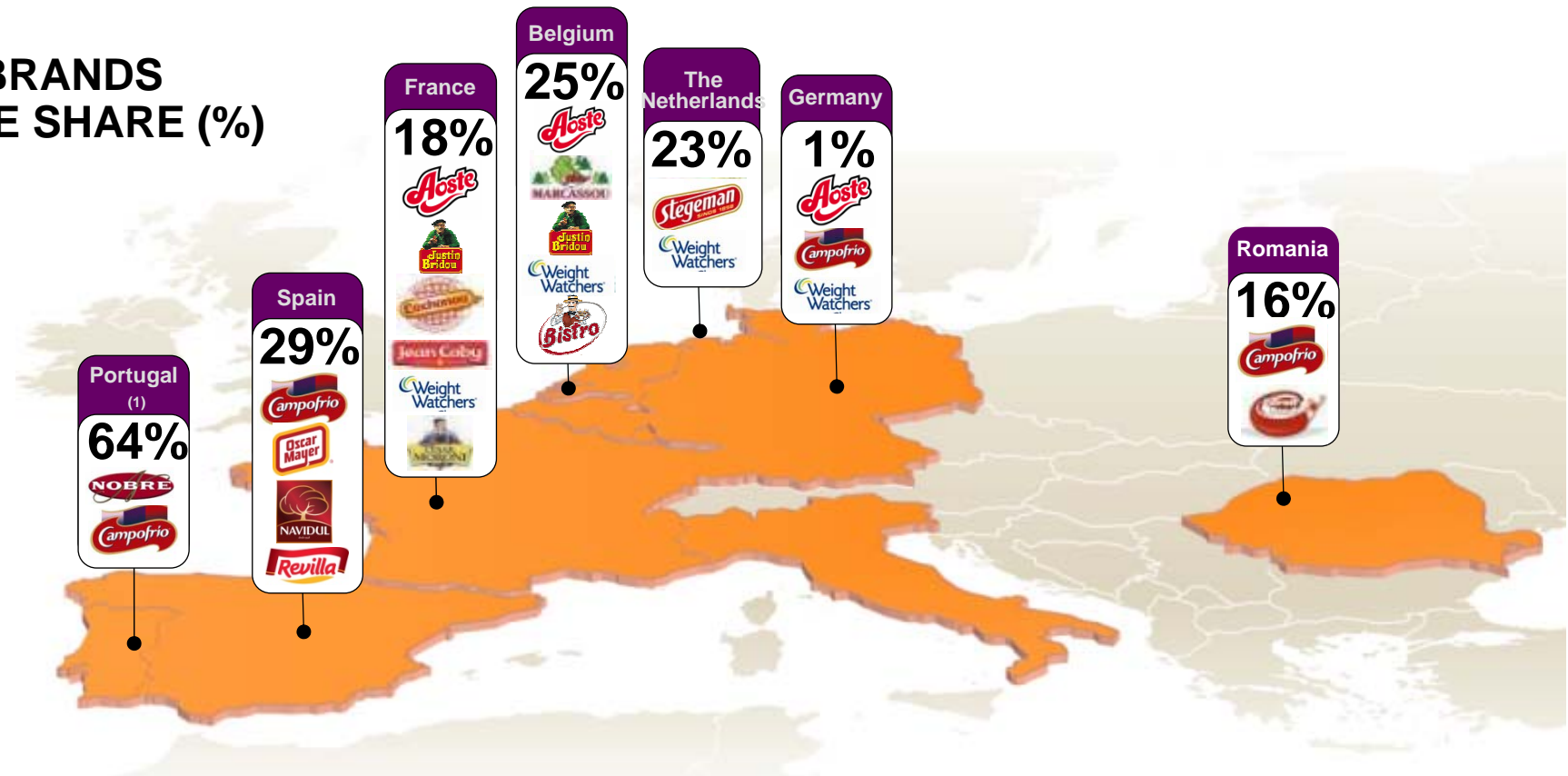
### 2- INTERNET CHANNEL AND SOCIAL NETWORKS DEVELOPMENT



# Highlights of the period

**Keeping brands relevant:** CFG maintains market share in all markets

**CFG BRANDS  
VALUE SHARE (%)**



(1) Portugal figures for cooked ham segments only

Source: MAT Nielsen / IRI February 2011 – Value share of Branded Processed meats in Modern Retail channels Self-service

# Highlights of the period

## Raw material impact

- **Business fundamentals remain challenging, impacting the outlook for 2011**
  - ✓ Pig carcass prices up in all European markets
  - ✓ 3.7% increase in Q1 meat cost, April trend showing a further price increase

Pig Carcass Average Price (euro/kg)

	2009	2010	2010/09	Jan-Mar 2010	Jan-Mar 2011	YTD 2011 / 10
Spain Mercolleida	1.41	1.42	1.2%	1.37	1.53	11.7%
France MPB	1.29	1.29	-0.4%	1.21	1.38	13.8%
Netherlands Monfoort	1.36	1.35	-0.6%	1.27	1.37	7.5%
Belgium Danis	1.29	1.26	-2.2%	1.19	1.25	5.3%
Germany AIM	1.42	1.41	-0.9%	1.33	1.39	4.6%
Denmark DC	1.21	1.24	3.2%	1.14	1.27	12.0%

# AGENDA

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**Q1 2011 Trading**

Conclusion



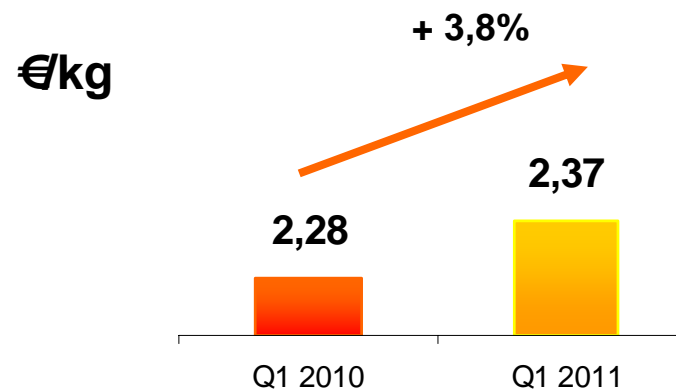
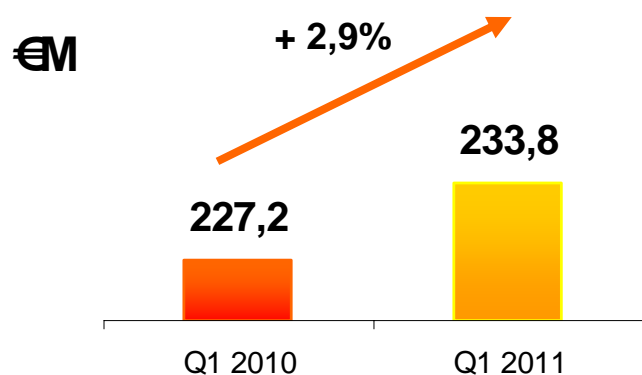
# Q1 2011 Trading

(€M)	Q1 2010	Q1 2011	Var %
Volume (000Tns)	99,5	98,7	(0,8%)
Net Sales	424,0	423,8	(0,1%)
<b>EBITDA reported</b>	<b>33,9</b>	<b>30,1</b>	<b>(11,3%)</b>
EBITDA margin	8,0%	7,1%	(90)bp
Net finance cost	(14,7)	(11,3)	(23,1%)
<b>Attributable Net Income</b>	<b>3,9</b>	<b>2,8</b>	<b>(28,6%)</b>
Operating Free Cash Flow	9,4	32,1	22,7€M
<b>Net Financial Debt</b>	<b>417</b>	<b>334</b>	<b>(82,4)€M</b>
Leverage ratio	2,94x	2,09x	

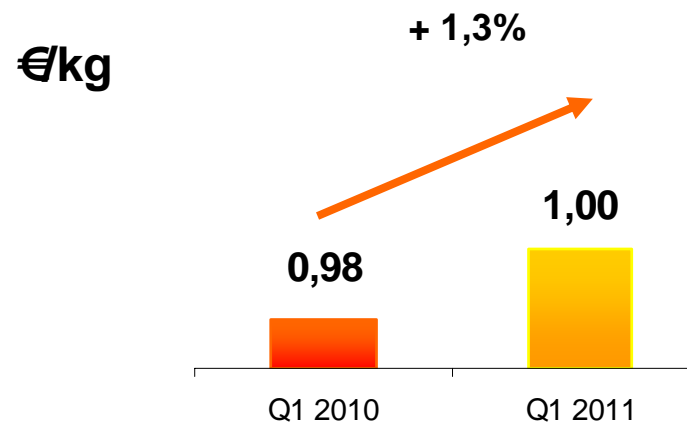
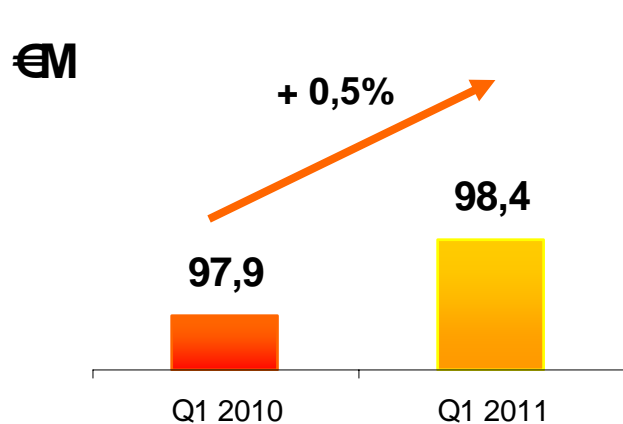
- Flat level of sales versus the same period of 2010 under a very challenging environment
- First signals of pricing increases
- A new commodity context has had a negative impact on the Q1 EBITDA
- Increase of operating Cash Flow
- 82M€ debt reduced in the LTM

# Q1 2011 Trading

## Raw material

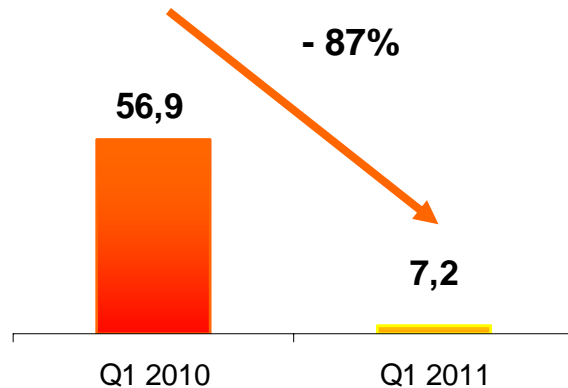


## Conversion costs (\*)



# Q1 2011 Trading

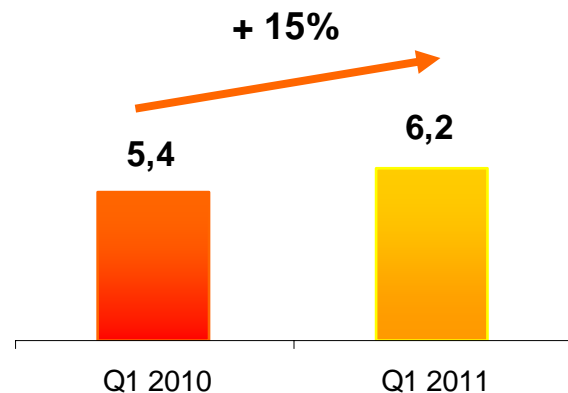
## WORKING CAPITAL



### ➤ Working Capital:

- 50M€ Working Capital reduction, as an optimization of Balance Sheet management

## CAPEX



### ➤ CAPEX:

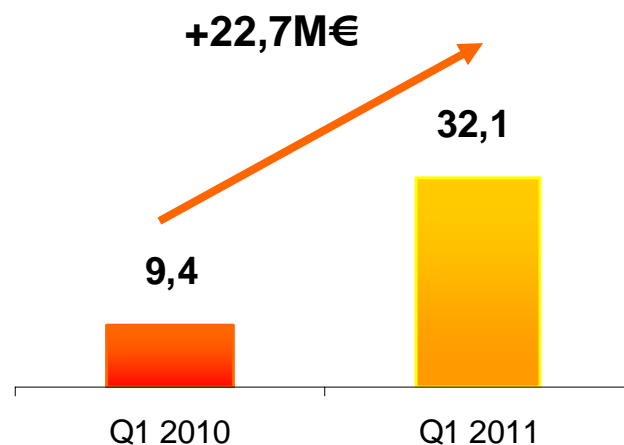
- Increase on CAPEX vs. 2010 to support the investment on a new ERP (SAP)
- However, CAPEX will be maintained in line with depreciation

# Q1 2011 Trading

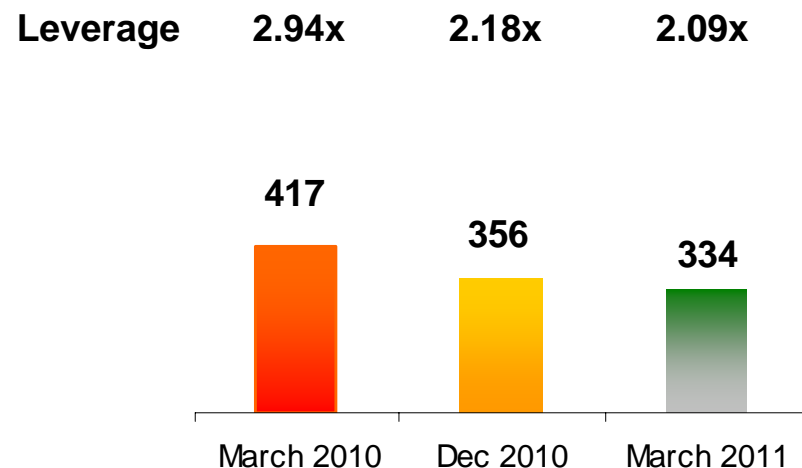
## STRONG CASH GENERATION:

- ✓ OFCF +22,7M€ vs. PY mainly thanks to improved Working Capital decrease
- ✓ Leverage ratio of 2,09x EBITDA in March 2011
- ✓ Strong liquidity position: 195M€ in cash

### OCFC (1)



### NET FINANCIAL DEBT



# Q1 2011 Trading

		Q1 2010	Q1 2011	% Var.
	<b>Tons (Thousand)</b>			
Northern Europe impacted by product portfolio reshaping (France)	Southern Europe	58,3	58,8	0,8%
	Northern Europe	42,0	41,0	-2,3%
	Eliminations	-0,7	-1,1	
Top-line compensation driven by Southern Europe, particularly in Spain	<b>Total Tons</b>	<b>99,5</b>	<b>98,7</b>	<b>-0,8%</b>
	<b>Net sales (€M)</b>			
Recent pricing actions not yet fully reflected in Q1	Southern Europe	192,2	197,0	2,5%
	Northern Europe	235,9	231,4	-1,9%
	Eliminations	-4,1	-4,6	
	<b>Total Net sales</b>	<b>424,0</b>	<b>423,8</b>	<b>-0,1%</b>

Note: Southern Europe includes Campofrio Processed Meats, Carnes Selectas fresh meat and Portugal. Northern Europe includes France, Belgium, Holland and Germany. Intra-segment intercompany sales are eliminated from each segment

# Q1 2011 Trading

Higher raw materials, both on meat and non meat, had a negative impact on operating margins

	Q1 2010	Q1 2011	% Var.
<b>EBITDA reported (€M)</b>			
Southern Europe	19,7	18,5	-6,3%
Northern Europe	19,3	16,2	-15,9%
Others	-5,1	-4,6	
<b>Total EBITDA</b>	<b>33,9</b>	<b>30,1</b>	<b>-11,3%</b>
<b>EBITDA margin (%)</b>			
Southern Europe	10,3%	9,4%	-88 bp
Northern Europe	8,2%	7,0%	-116 bp
Others	n.a	n.a	
<b>Total EBITDA Margin</b>	<b>8,0%</b>	<b>7,1%</b>	<b>-90 bp</b>

Note: Southern Europe includes Campofrio Processed Meats, Carnes Selectas fresh meat and Portugal. Northern Europe includes France, Belgium, Holland and Germany. Intra-segment intercompany sales are eliminated from each segment

# Q1 2011 Trading - Financial summary

## ➤ RESULTS:

- ✓ Volume -0,8%. Net Sales flat, positive growth in Spain
- ✓ EBITDA of 30,1M€ -11,3% vs. PY
- ✓ EBITDA Margin down 90bp vs. PY
- ✓ Net Income of 2,8M€, down 28,6% vs. PY

## ➤ CASH:

- ✓ 32,1M€ Cash Flow achieved in 2011 Q1
- ✓ Continued discipline in Working Capital management
- ✓ Robust cash position with 195M€ (improved nearly 30M€ from previous quarter) and solid liquidity
- ✓ Net Debt with leverage ratio now at 2.09x

# AGENDA

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Q1 2011 Trading

Conclusion



## Conclusion

- **Challenging environment context, particularly on Southern Europe and increase on raw material prices, both meat (higher impact) and non meat**
- **Facing medium-term upward trend on raw material cost:**
  - ✓ Price adjustment actions are underway in every geography, still low impact in Q1
- **Re-investing for the long term growth**
  - ✓ Company focused on top line growth through innovation, brand building and improved mix
- **Solid financial structure and liquidity**

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