

Campofrio Food Group 2012 First Half Earnings Call



27th July 2012

AGENDA

Highlights of the period:

- Actual context and CFG delivery
- Top line strategy: “Growth accelerators”
- Update on Fiorucci
- Raw materials environment
- Gross margin development

H1 2012 Trading

Conclusion

Actual context and CFG delivery

- Europe's economic and financial crisis shows no signs of abating
- “Austerity” programs launched in response fail to address root cause issues and seem to only make matters worse
- In this context, consumers stay on the defensive, reducing expenditure and focusing on value
- Despite this very challenging economic landscape, CFG achieved positive results in the branded side of the business in retail, growing by 3,2%

Growth in net sales
branded retail business +3,2%

Examples of growth of multi-country brands

 7,3%

 1,0%

 4,3%

Top line strategy: “Growth accelerators”

➤ Focus on **key categories**:

Dry Sausages + 5,6% growth in NS vs. PY

- Introduction of products catering to **pleasure** and **premium taste**
- **Affordability** both on pieces and slices
- **Healthy** variants/poultry based
- Massive **promotions** on peak times (ex. Tour de France) and strong **communication** on TV and digital media



Top line strategy: “Growth accelerators”

➤ Focus on **key categories**:

Poultry + 3,7% growth in NS vs. PY

- Introduction of poultry products with **reduced salt**
- New products combining **health** and **affordability** benefits
- New and differentiated formats for **special occasions**
- Strong **360° communication**



Top line strategy: "Growth accelerators"

➤ Focus on **key categories**:

Hot Dogs + 0,2% growth in NS vs. PY

- More **fun**, new **flavours**
- **Healthy** variants
- Innovation on Out of Home channel- Oscar Mayer launch
- Strong **promotional** support to drive in store purchases



Top line strategy: “Growth accelerators”

- Focus our innovation based upon three platforms, that represent the key European patterns and consumers trends

Health +19,2% growth in NS vs. PY

- Introduction of new products with **low salt** and **low fat**
- Expansion of the **clean label** concept in the USA and Italy



Top line strategy: “Growth accelerators”

- Focus our innovation based upon three platforms, that represent the key European patterns and consumers trends

Heritage +24,7% growth in NS vs. PY

- Launch of a heritage range under **Campofrio Selection**
- Creation of **brand identity for Fiorucci**

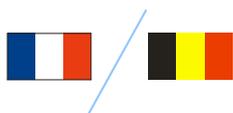


Top line strategy: “Growth accelerators”

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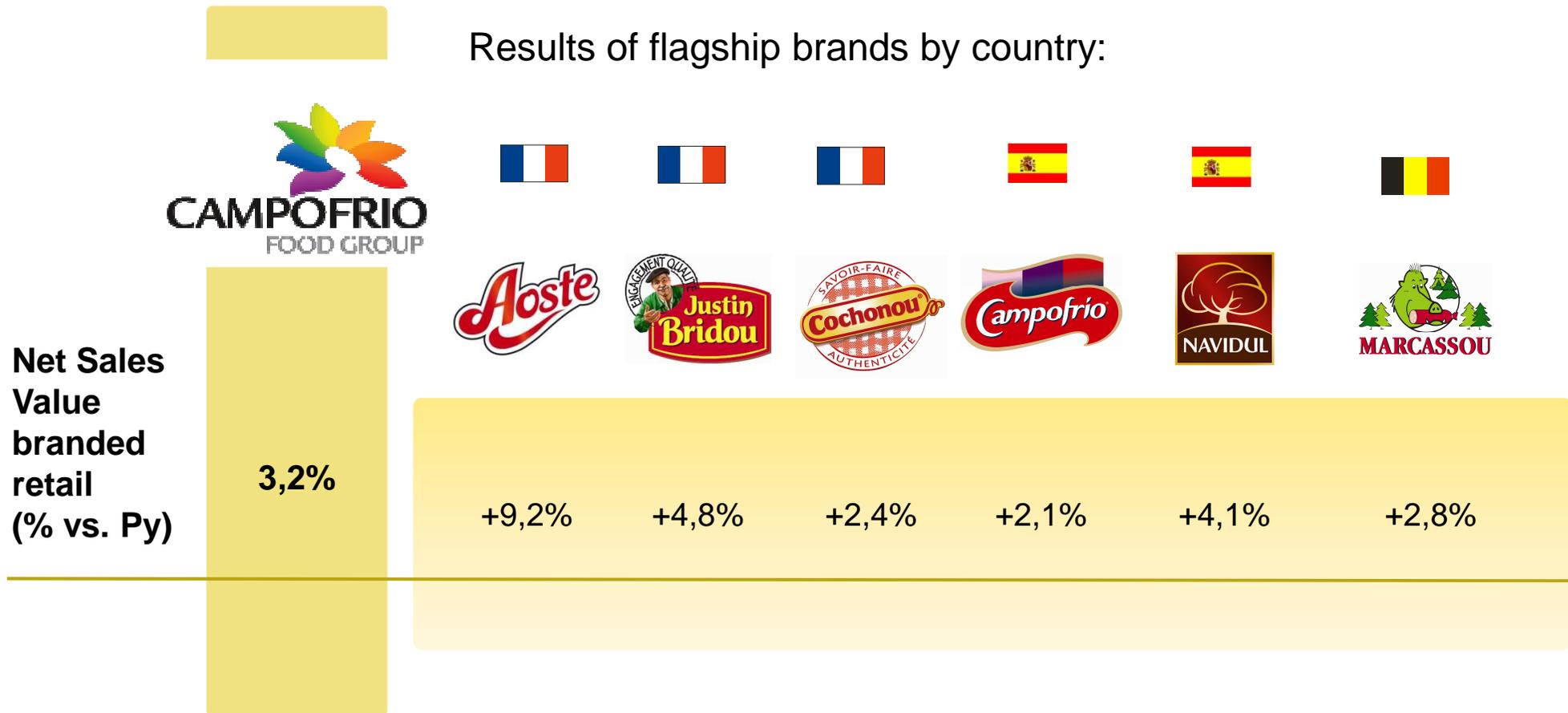
Snacking +15,7% growth in NS vs. PY

- Growth from snacking products, confirm our **strategic bet** and will be an important elevator of our future sales
- Innovation: **Poultry Stickado** is now true in 4 countries with strong support plan



Top line strategy: CFG results on branded business

- H1 shows a strong development of our branded business in the majority of the regions, as opposed to the current market decreasing trend in branded products



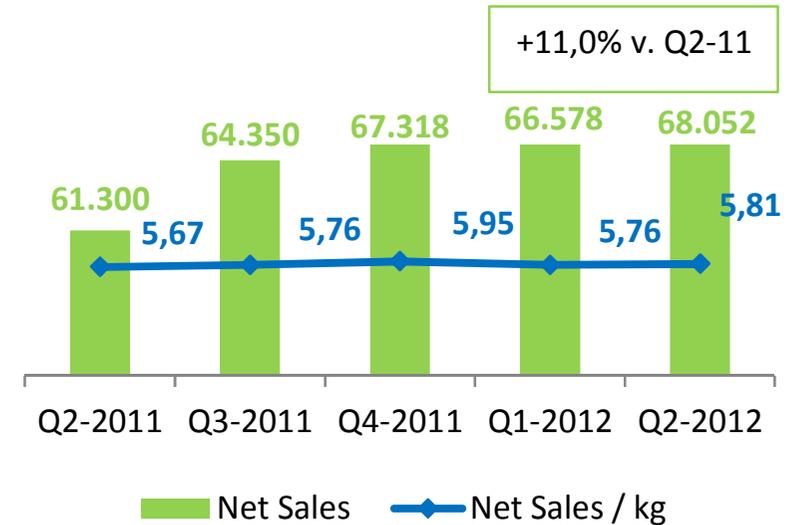
Fiorucci update

Significant strides have been achieved during the first semester for Fiorucci:

- The new packaging is improving the visibility and communication of the renovated brand identity
- Improvement in sales in modern trade due to good promo planning and Fiorucci store events
- Increase in sales of traditional trade due to self service and affordable range
- Start of Out Of Home program via Oscar Mayer Hot Dogs



Fiorucci Net Sales (Europe & USA)



EBITDA (Normalized)



* Mainly explained by strong MAP investments

Raw Materials environment

- Business fundamentals for the first half of 2012 remained challenging, still impacted by high grain prices
- 2012 EU 27 production forecast: -1% (but strong increase in Spain and Italy)
- Record EU 27 pork exports in 2010 and 2011 (driven by China and Hong Kong), expected to slow down in 2012
- Higher than expected pig prices during H1 of 2012, due to decreasing supply

Pig Carcass Average Price (euro/kg)

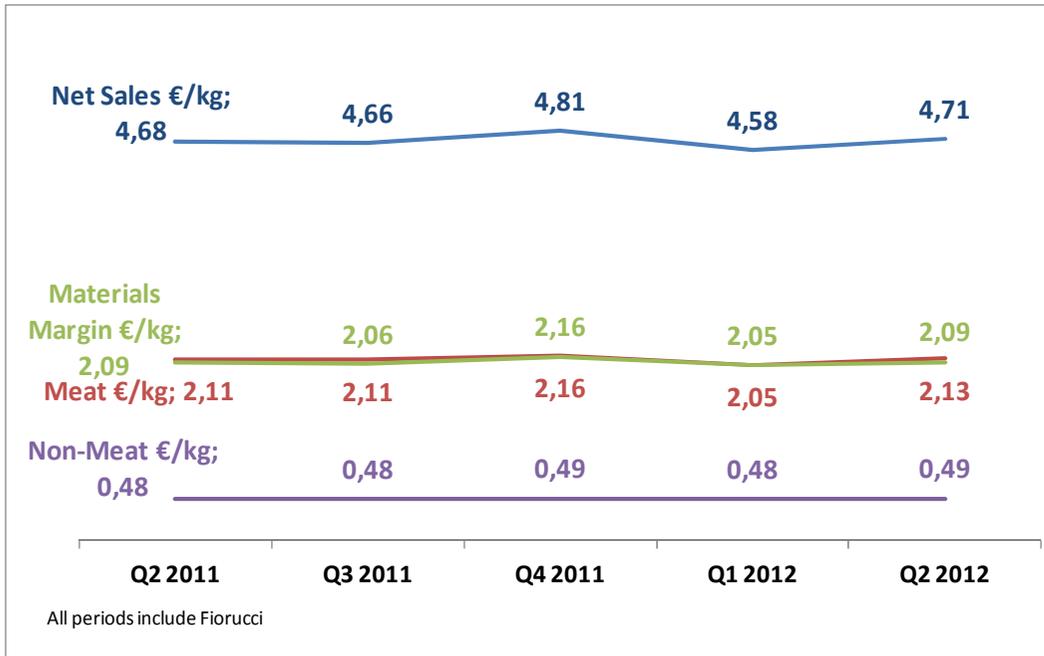
	2009	2010	2011	2011 / 10	YTD 2012	2012/11
Spain Mercolleida	1.41	1.42	1.57	10.1%	1.64	3.5%
France MPB	1.29	1.29	1.45	12.9%	1.51	5.2%
Netherlands Monfoort	1.36	1.35	1.48	9.3%	1.59	10.0%
Belgium Danis	1.29	1.26	1.37	8.7%	1.47	10.2%
Germany AIM	1.42	1.41	1.52	8.1%	1.62	9.7%
Denmark DC	1.21	1.24	1.36	9.3%	1.43	8.3%

Raw Materials environment

- During H1 2012, total meat cost (pork, beef and poultry) increased +2,8% versus PY. Prices increased less in shoulders vs other less noble parts and were below PY in hams and poultry
- EU 27 pig carcass prices trade at 10 year high (CFG index 104 vs. 106 European average, i.e. 2% productivity)
- CFG focused on developing the European meat platform looking for continuous improvement from global sourcing



Gross margin development



- 2011 sales price increase efforts still paying off
- Intelligent volume growth focusing on profitable mix and innovation
- Despite hams and poultry prices are slowing down in 2012, other cuts (especially those used in dry sausages and hotdogs) are still going up and remain significantly above PY
- Continuous improvement from global sourcing (European Meat and Non Meat Platforms) to help on maintaining costs under control

Efforts on value enhancement and productivity to compensate inflationary raw materials

have totally offset the increase of raw materials in 2012, and GM €/kg is maintained vs.

PY in this quarter

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H1 2012 Trading

(€M) YTD	H1 2011	H1 2012	Var %	H1 2012 (without Q1 Fiorucci)	Var %
Volume (000Tns)	183,9	196,0	6,6%	185,1	0,7%
Net Sales	834,9	910,4	9,0%	845,8	1,3%
EBITDA	70,9	65,5	(7,6%)	63,7	(10,0%)
EBITDA margin	8,5%	7,2% ▲	(130)bp	7,5%	(95)bp
Net Finance cost	(25,1)	(28,2)	12,3%		
Attributable Net Income	3,5	1,0	(72,6%)	4,0	15,8%
Operating Cash Flow	66,5	16,7	(49,8)		
Net Financial Debt	509,4	490,5	(19,0)		
Leverage ratio	3,0x	3,0x			

- **Volume** growth of 6,6% (+0,7% excluding Fiorucci Q1)
- **Net sales** increased 9% (1,3% excluding Fiorucci Q1, thanks to value enhancement strategy)
- Pricing actions, innovation and mix improvements fully compensating the inflationary raw material trends
- Additional costs coming from significant utilities cost increase (taxes on energy in several countries) and higher MAP investments to support top line branded growth
- In spite of these efforts, **EBITDA** margin is 7,2% (excluding Fiorucci Q1 is 7,5%, 95bp lower than PY)
- **Net Debt** held steady in H1 2012, 19€M below PY

H1 2012 Trading – segments evolution

Southern Europe top line growth impacted by strong growth of Fresh Meat business and good performance in Spain

Northern Europe focus on value, increasing net sales by 3,2%, with flat volume

Overall Net sales growth of 1,3% (excl. Fiorucci) shows successful impact of 2011 pricing campaign, as well as recent innovation and mix improvements

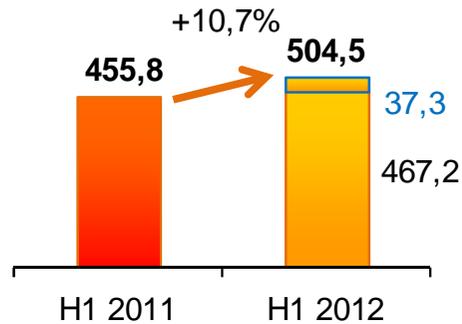
YTD Tons (Thousand)	H1 2011	H1 2012	% Var.	(% Var. excluding Fiorucci in Q1 2012)
Southern Europe	129,2	144,4	11,8%	4,6%
Northern Europe	55,7	55,4	-0,6%	
Others	1,7	3,6	117,4%	15,7%
Eliminations	-2,7	-7,4		
Total Tons	183,9	196,0	6,6%	0,7%
YTD Net sales (€M)	H1 2011	H1 2012	% Var.	
Southern Europe	461,8	532,7	15,4%	3,6%
Northern Europe	376,4	388,4	3,2%	
Others	9,3	24,5	164,1%	40,2%
Eliminations	-12,6	-35,2		
Total Net sales	834,9	910,4	9,0%	1,3%

Note: Southern Europe includes operating activities mainly managed in Spain, Portugal and Italy, as well as our fresh meat operations. Northern Europe includes operating activities managed primarily in France, the Netherlands, Belgium and Germany. Other includes operating activities managed in the USA and corporate supervising and monitoring activities. Eliminations includes intercompany sales between segments which are eliminated during consolidation.

H1 2012 Trading

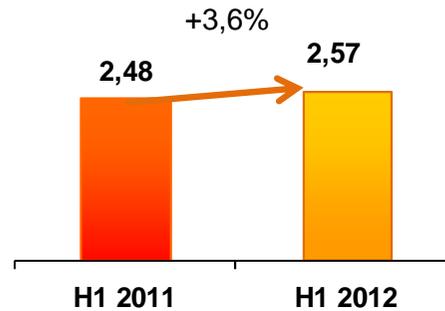
Material Costs

€M



Blue = Fiorucci Q1

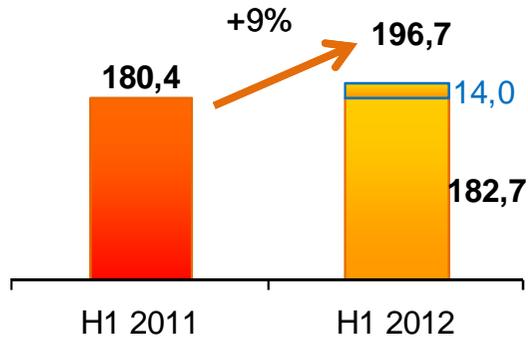
€/Kg



➤ Excluding Fiorucci Q1 in 2012, cost of goods sold increased by 2,5%

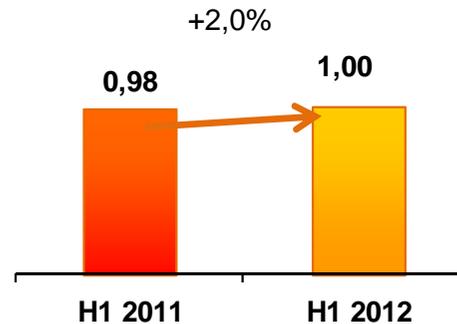
Conversion costs (*)

€M



Blue = Fiorucci Q1

€/Kg



➤ Excluding Fiorucci Q1 in 2012, total conversion costs increased by 1,3%

H1 2012 Trading – Segments evolution

Southern Europe excluding Fiorucci decreases EBITDA margin only 49 bp vs. PY

YTD EBITDA (€M)	H1 2011	H1 2012	% Var.	(% Var. Excluding Fiorucci in Q1 2012)
Southern Europe	36,6	36,3	-1,1%	-2,7%
Northern Europe	36,1	26,6	-26,3%	
Others	-1,9	2,6	-234,7%	

Northern Europe more sensitive to price fluctuations in meat for Dry Sausages, which has substantially increased in 2012, thus impacting the overall margin

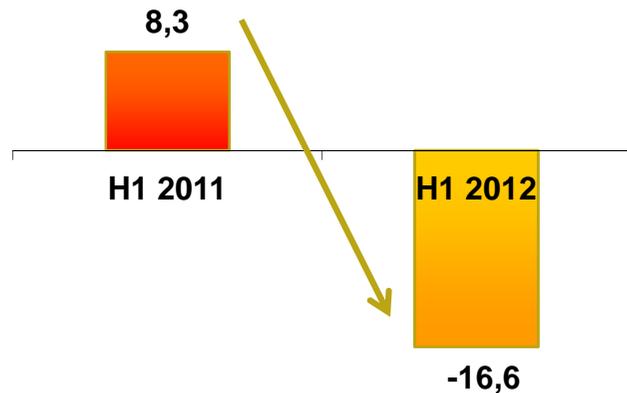
Total EBITDA	70,9	65,5	-7,6%	-10,0%
EBITDA margin (%)	H1 2011	H1 2012		
Southern Europe	7,9%	6,8%	-113 bp	-49 bp
Northern Europe	9,6%	6,9%	-274 bp	
Others		10,5%		
Total EBITDA Margin	8,5%	7,2%	-130 bp	-95 bp

Note: Southern Europe includes operating activities mainly managed in Spain, Portugal and Italy ,as well as our fresh meat operations. Northern Europe includes operating activities managed primarily in France, the Netherlands, Belgium and Germany. Other includes operating activities managed in the USA and corporate supervising and monitoring activities.

H1 2012 Trading

Working capital

€M

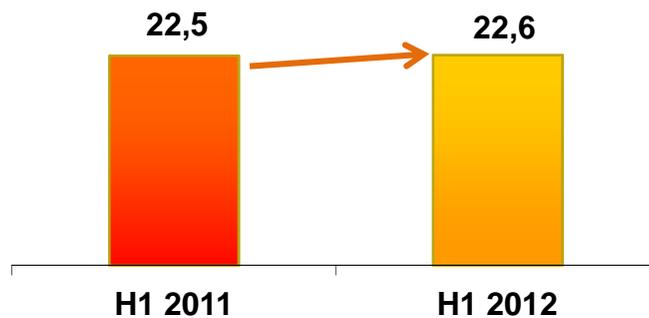


➤ Working Capital:

- Cash management and working capital optimization delivering positive results
- Whilst the financial effort related to the new strategic program is not expected to change this trend in terms of use of cash over time

CAPEX

€M



➤ CAPEX:

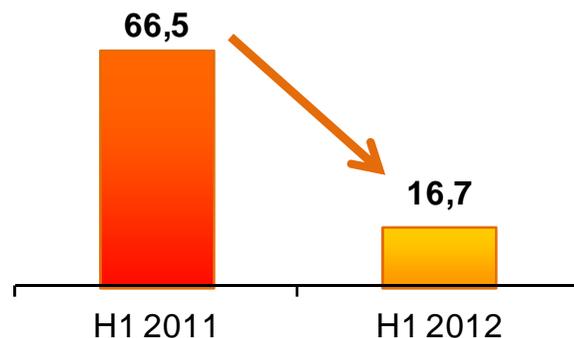
- Total CAPEX are in line with H1 2011, in spite of different Company's perimeter

H1 2012 Trading

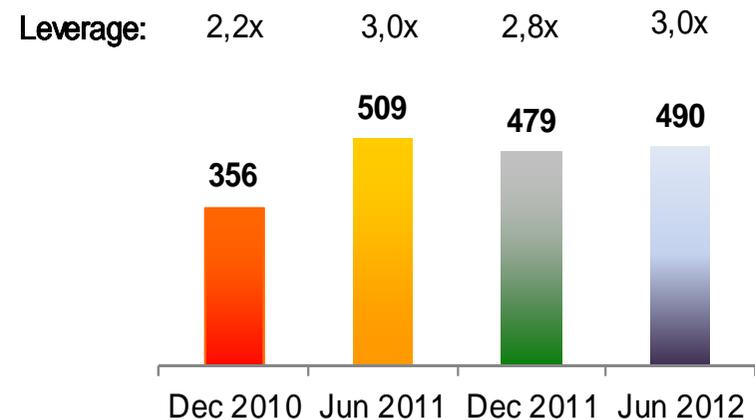
CASH GENERATION:

- ✓ Operating cash flow of 16,7€M generated in H1 2012
- ✓ Solid 136€M cash position (+21% vs. H1 2011) and robust 328€M liquidity position, including 192€M fully available bank lines being committed by a number of different banks
- ✓ NFD at 490€M (19€M lower than in H1 2011 equivalent to a 3,7% debt reduction), whereas leverage ratio kept right below 3x in line with the given guidance

Operating cash flow



Net financial debt



H1 2012 Trading - Financial summary

➤ RESULTS:

- ✓ Top line growth of 9% in net sales driven by inorganic growth, top brands increase, innovation, mix optimization and pricing initiatives (+1,3% excluding Fiorucci)
- ✓ Effort to minimize impact of raw materials hike on EBITDA via value creation, as well as productivity measures
- ✓ Still, EBITDA margin down 130bp due to lower margins in Fiorucci, impact of meat for dry sausages and hot dogs, utilities cost increase and higher MAP investments (excluding Fiorucci, margin is down 95bp)

➤ CASH:

- ✓ Strong 136€M cash position (+21% vs. H1 2011)
- ✓ 192€M fully available committed bank lines
- ✓ As a result, robust 328€M liquidity position
- ✓ Leverage ratio right at 3x in line with the given guidance

AGENDA

Executive Summary

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- **Still a very challenging environment, with tough macro-economic conditions and inflationary raw materials**
- **Successful value enhancement strategy, investing in strongest and more profitable categories, brands building and innovation, generating 9% sales growth (1,3% excluding Fiorucci)**
- **Strong efforts to ensure a successfully integration of Fiorucci, through portfolio management and brand positioning redefinition, as well as in-store activity improvements**
- **Continuous improvement from global sourcing (European meat and non meat platforms) and other productivity measures**
- **All in all, a combined set of initiatives showing that CFG model remains resilient**

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