

Campofrio Food Group 1Q 2014 Earnings Call



20th May 2014

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Highlights

- Sales Volume : 95.2 k Tons => + 2.1% strengthening market shares
- Net sales Value: € 436.5 M => - 1.2 % in a highly competitive market and a favourable fresh meat prices environment
- Gross margin/kg -1.5%, due to declined meat margin/kg -1.2%
- EBITDA norm: € 27.9 M => + € 2.2 M vs. 1Q13 on successful cost control measures
- Net profit € - 4.5 M similar to last year
- Cash position € 124 M maintained at high level
- Total Liquidity € 364 M ensures financial strength
- Net Financial Debt: € 484 M with gross debt diminishing
- Leverage ratio 3.2x

A challenging quarter, focused on volume recovery as previously communicated
Improved EBITDA due to cost reductions
Strong cash and liquidity position

Business environment

Consumption environment slowly improving, but still challenging

- EU27 forecast for GDP* growth of +1.2% in 2014 after a contraction of 0.5% in 2013
- Private consumption outlook* for 2014 positive for most of our key markets; EU27 +2.7%, Spain +1.2%, France +0.9%, Germany +1.0% , with the exception of Italy: - 0.2%
- The volume of retail trade** in 2013 in the euro area (EU17) declined by 1.6% vs. 2012, whereby “food drinks and tobacco fell also by 1.6% and the non-food sector decreased by 0.4%. In February 2014 retail trade rose 0.4% versus January 2014, but for “food, drinks and tobacco the retail trade was down 0.4% vs. Jan14.**

World Economic Outlook April 2014

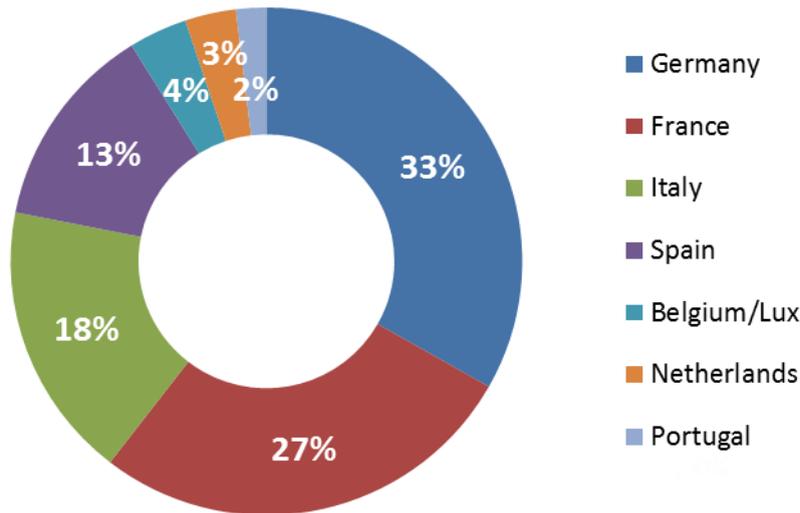


	Real GDP Annual % Change			Total Domestic Demand Annual % Change			Private Consumption Annual % Change		
	2013	2014E	2015E	2013	2014E	2015E	2013	2014E	2015E
United States	1,9	2,8	3,0	1,7	2,6	3,1	2,0	2,7	2,9
Euro Area	-0,5	1,2	1,5	-1,0	0,9	1,0	-0,7	0,6	1,0
Germany	0,5	1,7	1,6	0,5	1,4	1,3	1,0	1,0	1,1
France	0,3	1,0	1,5	0,4	1,0	1,0	0,4	0,9	1,0
Italy	-1,9	0,6	1,1	-3,0	0,5	0,7	-2,6	-0,2	0,5
Spain	-1,2	0,9	1,0	-2,7	0,5	0,3	-2,1	1,2	0,9

Business environment

Processed meat market

Market Size in Value*
CFG Markets 2013E: € 76.0 billion

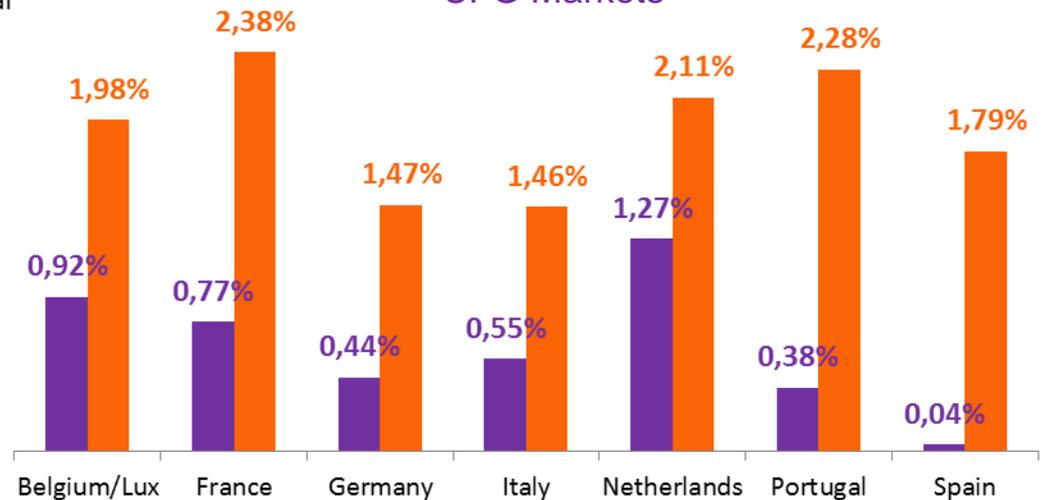


- In 2013 growth has recovered gradually throughout the year and for 2014 it is expected to continue with a moderate upward trend

■ Real 2007-2012
■ Expected 2012-2015

- Mature markets: In period 2007-2012 the yearly average growth in CFG markets was just 0.6%*
- Nevertheless higher growth rates are expected for the coming years in all CFG markets, of between 1.5% and 2.4%

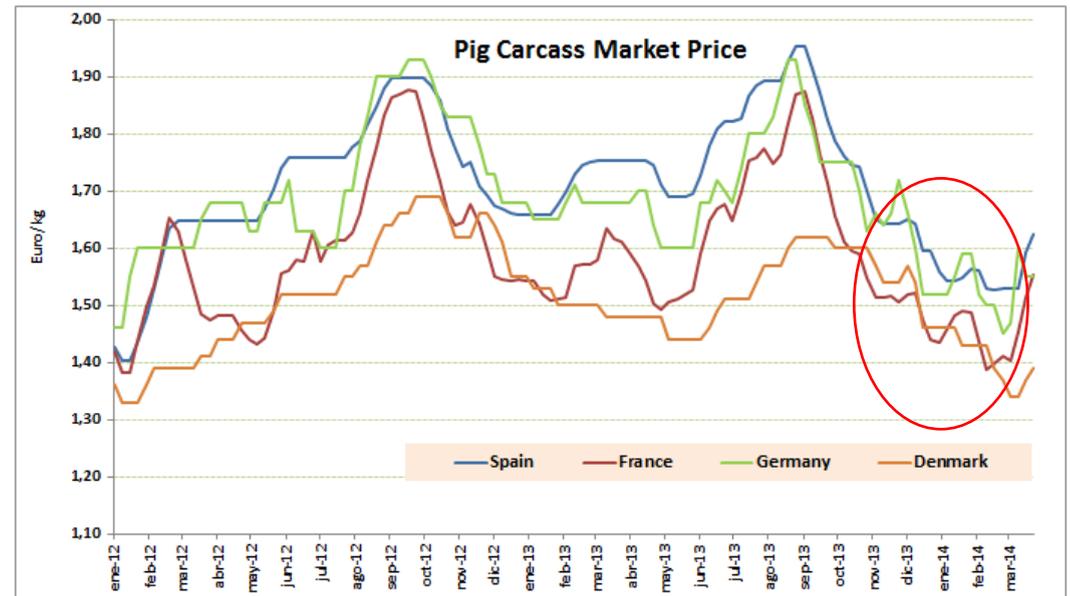
Market Growth in Value
CFG Markets



* Includes Retail + Food Service; Source: Food For Thought, Year 2013 Edition,

The meat market

- EU28 pork meat production decreased during 1Q 2014 (-1,5%) but expected to grow from 2Q onwards
- However, the ban imposed by Russia on European pork imports more than offsets the supply effect (Russia trade flows represent 3,5% of EU production)
- As a result, pig carcass prices decreased from -6,5% to -9,5% versus last year, with one exception in Italy
- After a drop of between -8% and -12% between Jan to early March, prices have rebounded in all countries, due to a disease in the US (PEDv*). In the US prices are at record historical levels



Business environment

- The market price for pig carcass has decreased during Feb and March, but has shown an upward trend at the end of March. Prices for hams in Spain and France have increased, while price decreases for most of other parts (shoulders, belly, loin, etc) have been recorded in practically all the markets

Pig Carcass Average Price (euro/kg)

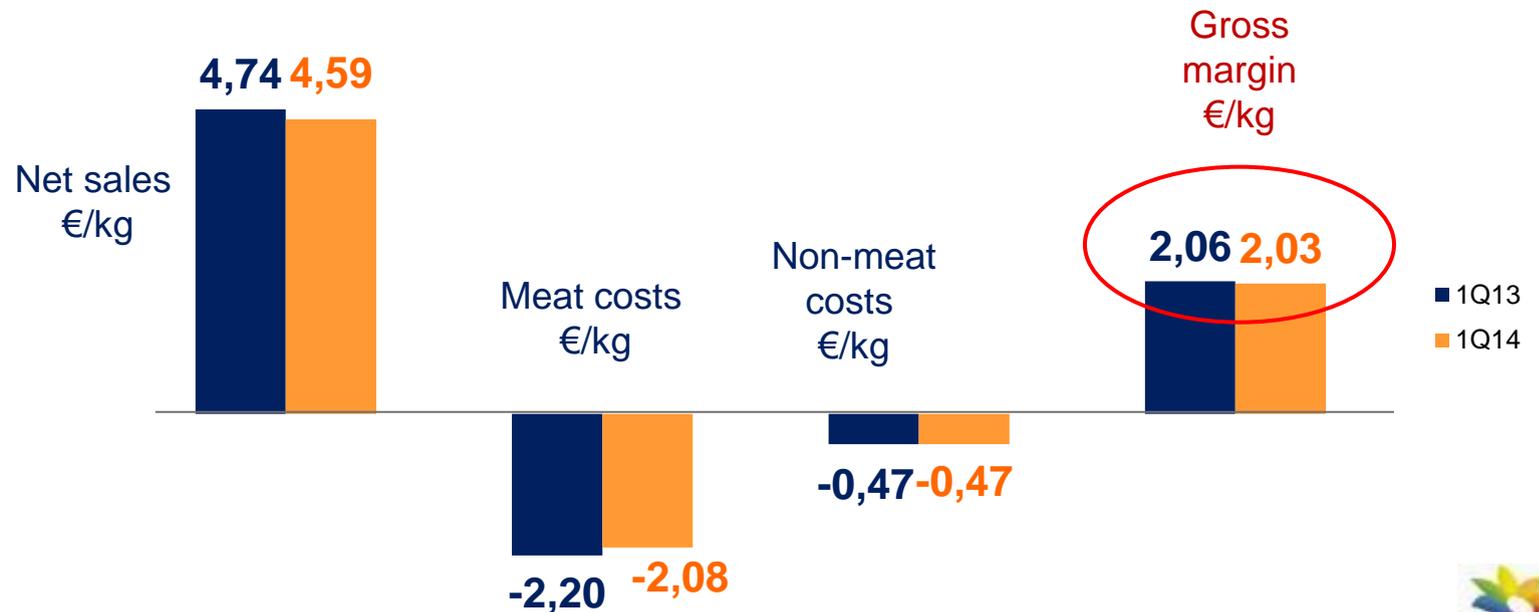
	2012	2013	2013/12	Q1 2013	Q1 2014	YTD 2014/13
Spain Mercolleida	1,71	1,75	2,8%	1,71	1,55	-9,4%
France MPB	1,60	1,61	0,7%	1,56	1,45	-6,8%
Netherlands Monfoort	1,67	1,66	-0,4%	1,63	1,49	-8,6%
Belgium Danis	1,55	1,51	-2,6%	1,47	1,35	-8,4%
Germany AIM	1,71	1,70	-0,5%	1,67	1,53	-8,5%
Denmark DC	1,52	1,53	0,3%	1,51	1,41	-6,5%
Italy	1,40	1,41	1,1%	1,41	1,39	-0,9%

- Poultry prices benefit from global growth in production. Nevertheless increased demand is causing a slight increase in prices in Europe: CFG continues mitigating price increases with forward contracts
- For the rest of 2014, price evolution will depend on the relative weight of 3 key factors: The Russia ban, the pig population and slaughter and the PEDv in USA

Specific conditions and actions taken in 1Q14

- Pricing strategy and volumes: As previously communicated, the recovery of volumes and market shares are of priority, notably on the branded side
- Cost cutting measures: Direct labour/kg -5.7% and Manufacturing overheads/kg -1% have led to a conversion costs reduction of 2.9%/kg, down by € 0.9 million to € 97.9 million in 1Q14

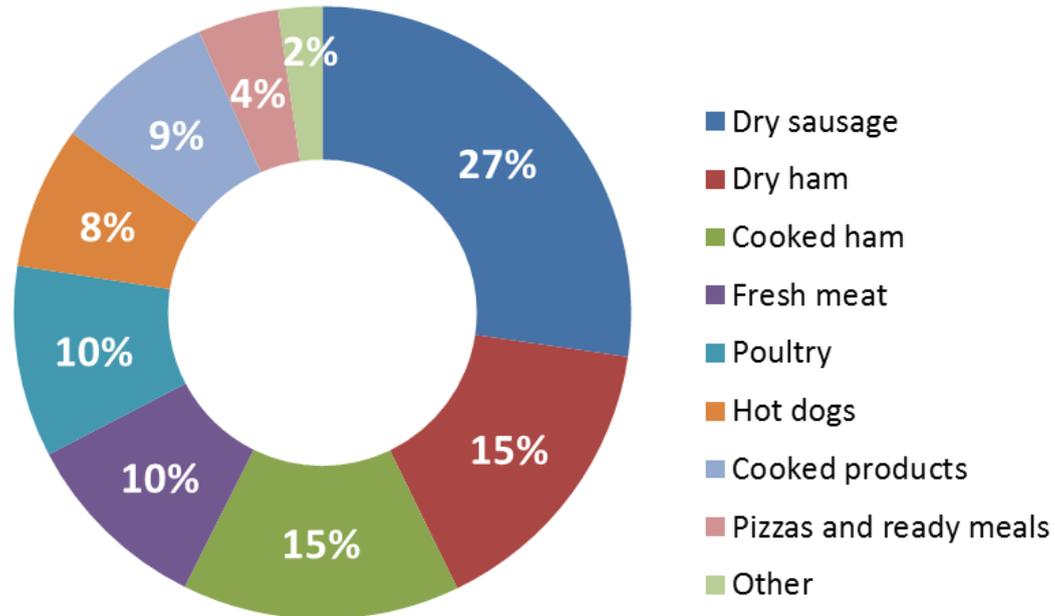
Gross margin €/kg



Top line evolution

Sales Volume 1Q14: 95,177 tns, +2.1%

Net Sales Value 1Q14: € 436.5 million, -1.2%



- Branded sales € 272 million maintained at same level vs. 1Q13 despite aggressive promo/pricing strategies of private label
- Solid performance in Spain in dry categories with innovation driving growth of almost 10%
- Strong growth in Poultry (+8.6%) with remarkable performance in all countries.
- Cooked ham stable (-0.6%)
- Hot dogs -3% in a very competitive pricing environment

Focus on core brands and successful ranges
Clear strategy in dry categories to go back to growth
Poultry accelerating growth, NPD strengthening brands
Hot dogs facing very aggressive pricing environment

Top line evolution

Dry Sausage, highlights

- 1Q14: Net Sales Value – 4.3%
- Strong performance in Spain (+9.4%) thanks to:
 - Healthy products “Cuida-t+”
 - Turkey dry sausage “Fuet”
 - Affordable platform: Revilla and Navidul premium platforms
- Sales decline mostly impacted by underperformance in France (-6.1%) due to a less aggressive promotional quarter (to be recovered in 2Q14)

New Product Development:

- Italy:
 - “AmarsiD+” reduced fat proposition, launched in deli, small dry sausages and sliced format
 - “Quanto Basta”: addressing the need of convenience: right quantity at an affordable price
- Belgium:
 - Justin Bridou “La pause Saucisson”: affordable product line for non-smoked dry sausage

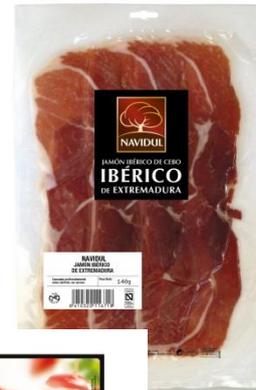


Supported by New Product Development
Cross platform innovation: Health, Indulgence, Affordable

Top line evolution

Dry Ham, highlights

- 1Q14: Net Sales Value – 4.2%
- Strong performance in Spain (+9.7%) and Portugal (+10.6%)
Spain with strong growth in sliced products (+13%)
as well as in pieces (+6%)
Growth drivers:
 - a) affordability range of DH Navidul 1€ and kitchen aids Taquitos Navidul 1€
 - b) Iberico slices +6% thanks to vacuum pack
- New Product Development:
 - Italy: “AmarsiD+” and “Quanto Basta”
 - Spain: Low salt Navidul
Low salt Campofrio
 - France: Low salt Aoste



Continue to stretch the category for Health and Affordable platforms

Top line evolution

Cooked Ham, highlights

- 1Q14: Net Sales Value - 0.6%
- NSV growth in Italy (+7.7%) and Belgium (+10.2%). In Spain volume growth +1.4% and NSV -0.7%
- New Product Development
 - Spain: “Cuida-t+”
 - Italy: “AmarsiD+”
 - Portugal: Healthy products “Cuida-t+”
- Special price & promo actions for Leilander Deli range (Belgium) and Cochonou affordable range (France)



Increase presence in Health, Indulgence, Affordability through innovation and promotion

Top line evolution

Poultry, highlights

- 1Q14: Net Sales Value + 8.6%
- Excellent performance in all markets:
NSV Spain +8.7%, The Netherlands +14.5%,
Portugal +20.4%
- New Product Development :
 - Spain: Cuida-t+ affordable chicken range, chicken on deli, mini and sliced formats
 - Italy: Relaunch of Quanto Basta affordable range, AmarsiD+ health range with high acceptance
 - France: Relaunch Cochonou cooked products supported by intense marketing actions
 - Portugal: Following good results of the 1€ turkey range, extension to chicken 1€
 - Belgium: Leilander roasted chicken launch, premium roasted



Kip aan 't spit NIEUW BINNEN CHARCUTERIE
Een natuurlijk product met echte kip aan't spit smaak!

Accelerated growth benefiting from product launches in all growth platforms

Top line evolution

Hot Dogs, highlights

- 1Q14: Net Sales Value - 2.9%
- Very competitive pricing environment
- NSV Portugal +3.1%, Italy +2.1%, Spain -6.1%
- New Product Development:
 - Spain: launch of “Cuida-t+” hot dogs and “50 cents packs” to enforce presence in affordable range
- Portugal: Increasing promotions to address the competitive landscape
- Oscar Mayer: Strengthened price and promotion actions taking advantage of Oscar Mayer’s 30th birthday have led to an increase in both, sales volume (+2.9%) and market share (up to 29%*)



* Nielsen, YTD P3 '14

Increase product development in growth platforms Health and Affordability

Top line evolution

Heritage, highlights

- 1Q14: Net Sales Value + 22.9%
- Significant improvement in France, with Aoste distributing Italian heritage
- Strong growth in The Netherlands, gaining distribution through number 1 and 2 retailers



Reinforced export strategy and portfolio bringing strong growth

Top line evolution

Health, highlights

- 1Q14: Net Sales Value + 18.6%
- Continues being the strongest growth driver
NSV Spain +39%, USA +32%
- In 2014 CFG will continue expanding the ranges and product portfolio for Nobre, Fiorucci and Campofrio mainly in the Cooked Ham, Poultry, Hotdogs and Snacking product lines



- New offer on “dry ham low salt products” across different brands: Aoste, Campofrio, Navidul

Developing range all across Europe through the Cuida-t+ concept and reduced salt SKUs

Health remains the main growth driver across all categories

Top line evolution

Snacking, highlights

- 1Q14: Net Sales Value + 2.0%
- NSV Spain +10.2%, France +10%, Germany -13.6%
- New Product Development:
 France: "Just'un délice" bites
 Spain: "Cuida-t+" sticks health, mini salami, XL pack mini fuet, triplo sticks

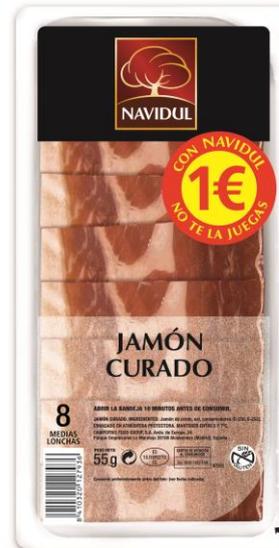


Main innovation: Cuida-t+ stickados & Just'un délice

Top line evolution

Affordable range, highlights

- 1Q14: Net Sales Value + 25.9%*
- New Product Development:
 - Spain: 1€ range finissimas and hot dog 50 cents packs
 - Portugal: Thin sliced family pack for 2€ and line extension of 1€ Turkey to Chicken
 - Italy: Relaunch of all the “Quanto Basta” range
 - France: Presliced cooked ham and relaunch of Cochonou affordable range



* Only Spain

Profit and Loss Account

EBITDA growth +10%

Profit & Loss Account CFG

€ M	1Q13	1Q14	Var. %
Sales Volume, in tns	93,208	95,177	2,1%
Net Sales Value	441.589	436.479	-1,2%
Other operating revenues	2.606	2.268	-13,0%
Consumption of goods	-242.963	-238.013	-2,0%
Employee benefits expense	-85.713	-83.442	-2,6%
Changes in trade provisions	-613	-1.261	105,7%
Other operating expenses	-89.486	-88.090	-1,6%
Total other operating expenses	-175.812	-172.793	-1,7%
EBITDA reported	25.420	27.941	9,9%
Depreciation & amortization	-15.312	-17.595	14,9%
Operating profit EBIT	10.108	10.346	2,4%
Financial results	-12.929	-13.139	1,6%
Other results	-2.956	-4.307	45,7%
Profit before tax	-5.777	-7.100	22,9%
Income taxes	1.665	1.779	6,8%
Profit from continuing operations	-4.112	-5.321	29,4%
Results from discontinued operations	46	822	n.a.
Profit / (Loss) for the year	-4.066	-4.499	10,6%
One-off charges	-325	-23	n.a.
EBITDA normalized	25.745	27.964	10,6%
EBITDA normalized / Net Sales	5,8%	6,4%	
EBITDA reported / Net Sales	5,8%	6,4%	

- Growth in sales volume: +2.1% up to 95.2
- Top line benefiting from growth in Southern Europe while Northern Europe affected by lower volumes arising from a delayed promotional plan deployment
- EBITDA growth due to lower meat costs and the success of cost cutting initiatives:
 - a) Positive impact of meat costs decrease; - € 7.1 million
 - b) Lower “other operating expenses”, reflecting CFGs efforts to reduce costs and increase efficiency and profitability; - € 3.0 million
- Net Result for the quarter down by - € 0.4 million

Profit and Loss Account

Sales by segments

- Excellent volume performance in Southern Europe, with Spain growing by 9%, Italy +6% and Portugal 2%. Northern Europe affected by a delayed promotional plan execution
- Net sales growth in Southern Europe reflecting aggressive pricing policy to increase volumes and protect market shares. Northern Europe sales impacted by lower promotional volumes
- USA sales maintained despite the volume decline recorded due to the elimination of underperforming SKUs

YTD Tons (Thousand)	1Q13	1Q14	% Var.
Southern Europe	66.339	70.881	6,8%
Northern Europe	27.076	25.597	-5,5%
Other	1.909	1.753	-8,2%
Eliminations	-2.117	-3.054	44,3%
Total Sales (Tns)	93.207	95.177	2,1%

YTD Net Sales (€ Million)	1Q13	1Q14	% Var.
Southern Europe	245.276	252.799	3,1%
Northern Europe	194.819	184.426	-5,3%
Other	13.494	13.369	-0,9%
Eliminations	-12.000	-14.115	17,6%
Total Net Sales	441.589	436.479	-1,2%

Note: Southern Europe includes Campofrio processed meats, Carnes Selectas, Portugal and Italy. Northern Europe includes France, Belgium, Holland and Germany. Other is mostly US Business. Intra-segment intercompany sales are eliminated from each segment

Profit and Loss Account

Operating expenses

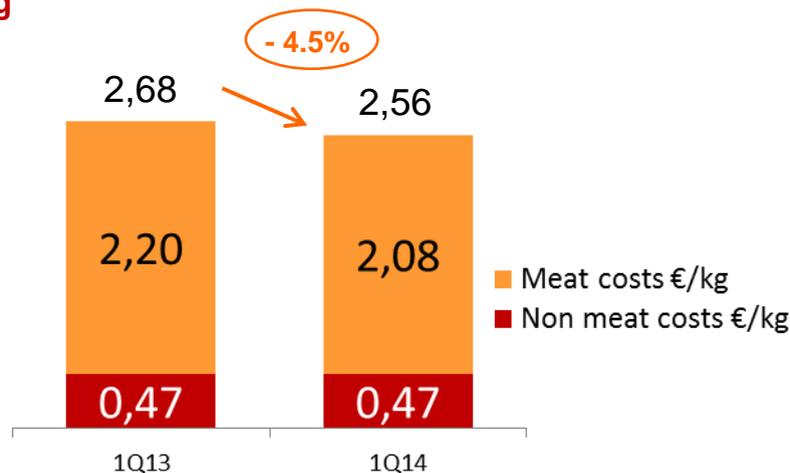
Operating expenses CFG

€ M	1Q13	1Q14	Var. %
Consumption of goods	-242.963	-238.013	-2,0%
Employee benefits expense	-85.713	-83.442	-2,6%
Other operating expenses	-90.099	-89.351	-0,8%
Total other operating expenses	-175.812	-172.793	-1,7%



- Lower raw material costs: € - 6.2 million

Material costs €/kg



- Reduction in “total other operating expenses”:
 - Lower personnel costs in all business units bringing savings of € 2.3 million in 1Q14 even after the decline of 5.4% (savings of €19 million) obtained in year 2013
 - Other operating costs down benefiting from cost reductions mainly in the supply chain; freight costs -5% as a result of efficiency measures undertaken
 - MAP of € 9.4 million, down by 12% vs. 1Q13

Profit and Loss Account

EBITDA normalized by segments

- Remarkable EBITDA growth in Southern Europe with all countries contributing to margin recovery: Spain + € 2.2 M, Italy + € 2.0 M, Portugal + € 0.2 M
- Northern Europe impacted by lower sales largely offset by lower meat costs and operating expenses
- USA impacted by increased meat costs (+23,2% /Kg) due to the “PEDv”^{*} virus (its spread accelerated during the winter)

YTD EBITDA Normalized(€ Million)	1Q13	1Q14	% Var.
Southern Europe	9.883	14.302	44,7%
Northern Europe	14.087	13.374	-5,1%
Other	1.775	288	-83,8%
Eliminations	0	0	n.a.
Total EBITDA normalized	25.745	27.964	8,6%

EBITDA Margin (%/Net Sales)	1Q13	1Q14	Var. bp
Southern Europe	4,0%	5,7%	163
Northern Europe	7,2%	7,3%	2
Other	13,2%	2,2%	-1.100
Total EBITDA Margin, normalized	5,8%	6,4%	58

Note: Southern Europe includes Campofrio processed meats, Carnes Selectas, Portugal and Italy. Northern Europe includes France, Belgium, Holland and Germany. Other is mostly US Business. Intra-segment intercompany sales are eliminated from each segment

* Porcine Epidemic Diarrhea

Cash Flow Generation

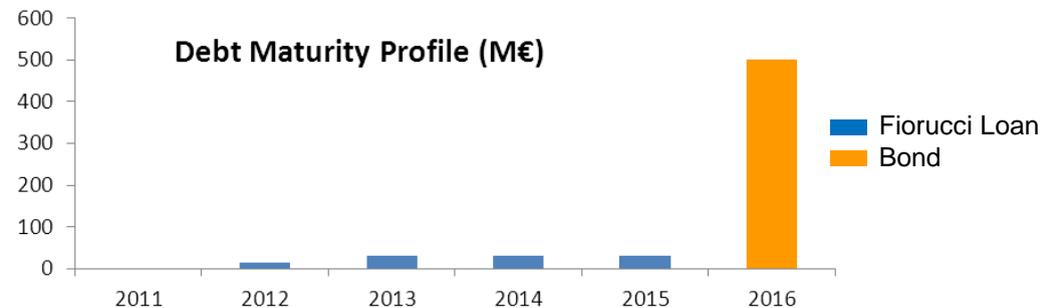
Cash Flow Statement CFG

million €	1Q13	1Q14	Var. %
Gross operating cash flow	26.138	28.145	7,7%
Change in Working Capital	-9.910	-28.457	n.a.
Operating Cash Flow	16.228	-312	-101,9%
Interest payments	-1.635	-1.805	10,4%
Provisions and other	-6.168	-15.745	155,3%
Payments for Income Tax	-4.057	449	-111,1%
Other receipts and payments	0	859	n.a.
Net Operating Cashflow	4.368	-16.554	n.a.
Cash flows from investing activities	-14.670	-7.901	-46,1%
Cash flows from Financing activities	1.704	2.650	55,5%
Net increase / decrease in cash & cash equivalents	-8.598	-21.805	n.a.

- Gross operating cash flow generation higher on increased EBITDA
- Working capital with a negative impact on cash flow mostly due to increased stocks, as meat purchases have been brought forward due to expected inflationary impact of the PEDv virus
- Provisions cash outs related to the investment plan as expected
- Capex lower in accordance with investment program

Net Financial Debt

- The 1Q14 **positive cash position** amounts to **€124M**
- **€220M** fully available committed bank lines, plus €20M of other uncommitted bank lines
- Consequently, our overall **liquidity position** (cash + available bank lines) stands at **€364M**, which is more than sufficient over time given the present debt structure
- Our **Net Financial Debt** amounts to **€484M**, while gross debt keeps diminishing after having repaid € 30M of our bank facility in 2013
- The resulting **leverage ratio** (NFD /EBITDA LTM) is punctually at 3.2x and expected to go down in the coming quarters in accordance with the guidance
- Comfortable debt repayment schedule; amortization of the bank facility with €15M semi-annual repayments until October 2015. As of 31st March 2014 only € 60M outstanding balance left



Outlook 2014

- **Top line**, particularly the volumes, should continue benefiting from:
 - the outstanding performance of growth platforms
 - the volume recovery plan initiated in the Northern region for 2Q onwards (impacting mostly France, Belgium and Germany)
 - the re-launch and renewed product portfolios (Italy, USA, Export, etc) as well as
 - innovation products in the product development pipeline
- Improvements in the **supply chain** should continue bringing efficiency gains
- **Meat costs** expected to be somehow impacted by the “PEDv”^{*} virus, potentially partially offset by Russian ban on imports from Europe
- **Cost reduction measures** will continue having a positive impact on margins along the year
- **Cash flow** generation should improve in the coming months, as working capital impact will improve gradually on reduced stocks
- CFG maintains its strategic priority of having a **strong cash and liquidity position**

* Porcine Epidemic Diarrhea

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