

Campofrio Food Group 2011 First Half Earnings Call



29th July 2011

AGENDA

Highlights of the period

- Innovation
- Brand building
- Raw material impact
- Fiorucci

H1 2011 Trading

Conclusion

Highlights of the period

- CFG continuous to deploy initiatives to generate top line value growth, whilst simultaneously looking for sustainable productivity improvements, to maintain market leadership
- To recover our 2010 margin, impacted by the current raw material environment, we keep the focus on value growth:
 - ✓ Emphasis on innovation, increasing value added to our portfolio and mix improvement
 - ✓ Pricing actions
 - ✓ Investment behind our brands
- On the other hand, focus is kept on further productivity programs and saving initiatives
- Fiorucci integrated since April 1st

Highlights of the period – Innovation

We continue to anticipate fundamental trends to stay relevant to our end consumers by **innovating and renovating our products**

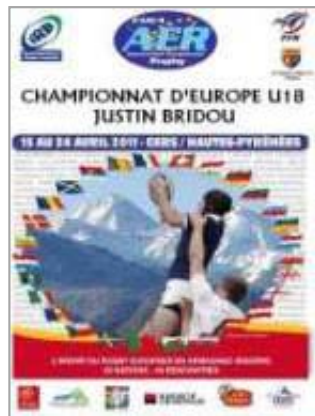
	HEALTH	TASTE	CONVENIENCE	VALUE FOR MONEY
<p>GRUPE AOSTE FRANCE</p>				
<p>CAMPFORIO SPAIN</p>				
<p>IMPERIAL BELGIUM</p>				
<p>STEGEMAN NETHERLANDS</p>				
<p>NOBRE PORTUGAL</p>				

Highlights of the period – Brand Building

Q2 marketing activities were focused on **strong promotional activities** that created **direct contact with consumers**, such as, events sponsorship in France...

FRANCE - GROUPE AOSTE

FIRA-AER European Rugby partnership



15 000 spectators
during the
competition

and more than 500
EOA in stores



Participation in Trade Fairs and Gourmet Clubs



140 000 taste
sampling in
fairs and events

Web loyalty
program in
club-gourmet



Highlights of the period – Brand Building

...Oscar Mayer hotdogs in Spain...

Valencia Basket



Significant presence
of Oscar Mayer
and
Enjoyment of Oscar
Mayer hot dogs on
premise



Oscar Mayer Guinness Record



Guinness
World
Record
ACHIEVED!!



Highlights of the period – Brand Building

...And dynamic **promotional activity and point of sale visibility** for dry sausages (singles and snacks)

FRANCE - GROUPE AOSTE

Focus on our three dry sausage brands, especially on new brand MORONI, resulting in +17% branded sales in the H1.



Justin Bridou



Cochonou



Cesar Moroni



BELGIUM - IMPERIAL

Streamline our dry sausages product portfolio into Justin Bridou, supported by end-of-aisle displays that generated good momentum on the snacking range

⁷ Justin Bridou snacks

Highlights of the period – Brand Building

New ad campaigns for NOBRE, Campofrio and Navidul which strengthen the emotional link with consumers; to reach all audiences we have also reinforced social media activities

NOBRE



CAMPOFRIO



Campofrio presenta "Reencarnación", una campaña centrada en los placeres de la vida

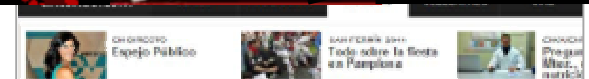
Una de las cosas que nos gusta más de la vida es disfrutar de los momentos buenos. En Campofrio nos gusta mucho más aún disfrutar de los momentos buenos de la vida con una buena comida.

Con ganas de volver a disfrutar de los momentos buenos de la vida en el momento ideal sobre el que "Reencarnación", la nueva campaña de Campofrio para su marca Premium que está presente en televisión, radio y grandes eventos.

El nuevo anuncio realizado por HeCase Estudios de vídeo en colaboración con el equipo de producción de Campofrio para su marca Premium, está en línea en los canales de Campofrio.



NAVIDUL



ESPAÑA MUNDO ECONOMÍA DEPORTES SOCIEDAD CULTURA TECNOLOGÍA CIENCIA

Noticias Publicidad

EL DIRECTOR SE PONE TRAS LA CÁMARA PARA DIRIGIR UN DIVERTIDÍSIMO SPOT

El jamón de Alex de la Iglesia

Alex de la Iglesia vuelve, no a la gran, sino a la pequeña pantalla. Acaba de dirigir un divertido spot televisivo sobre una marca de jamón.

Me gusta Me gusta Compartir Comentar



antena3.com | Suscríbete en YouTube a las 18:31 horas

Su último trabajo fue 'Balas tristes de trompetas'. Ahora, Alex de la Iglesia vuelve a la pantalla, pero no a la grande, sino a la pequeña.

El director se pone al mando de la cámara para dirigir un divertido spot sobre una marca de jamón.

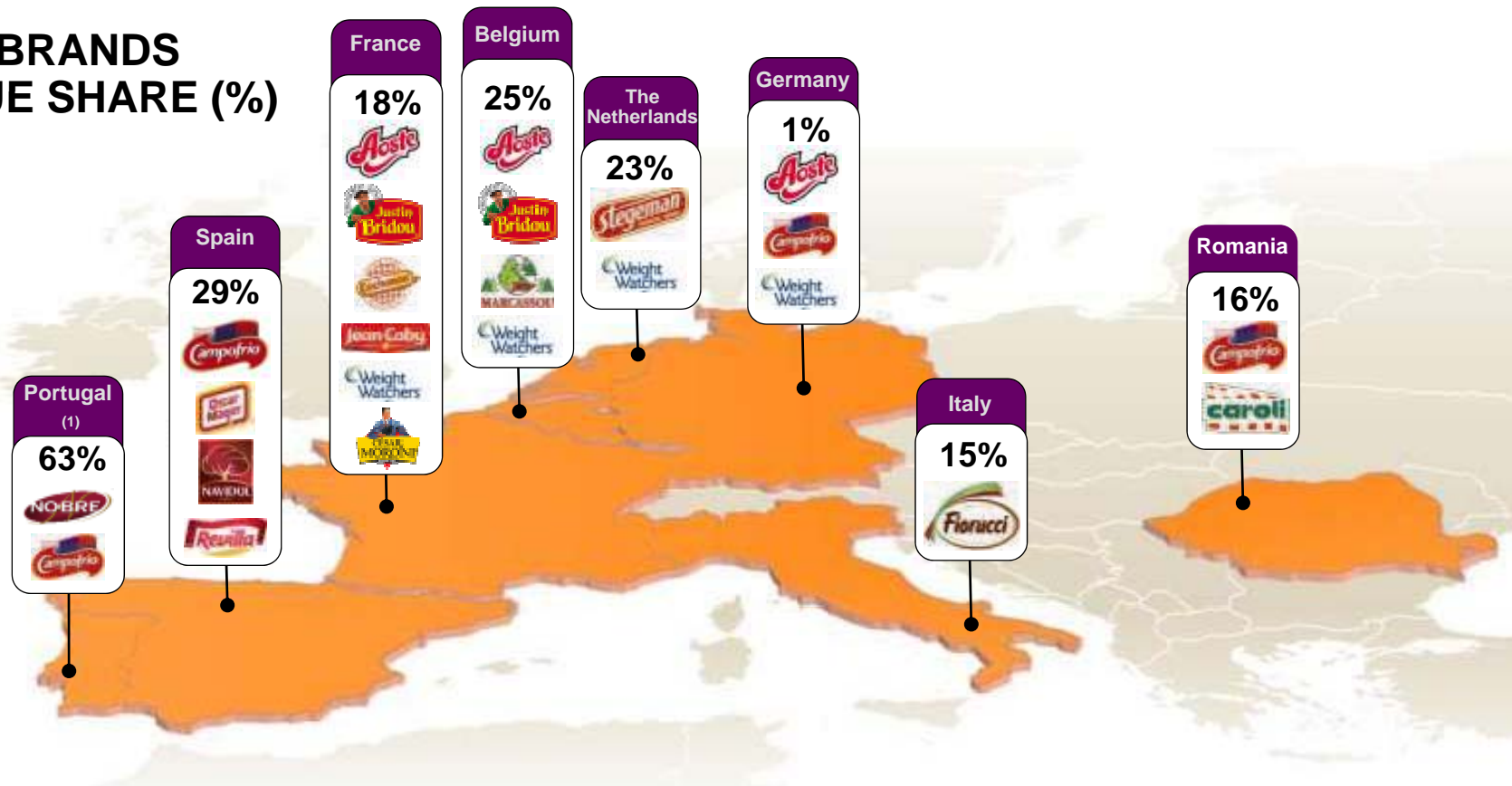
El anuncio cuenta, a modo de corto, las vicisitudes de una familia por 'librarse' de un jamón que el padre tiene guardado como oro en paja desde la mil.

Podemos ver el spot y el 'making of' del rodaje.

Highlights of the period – Brand Building

Keeping brands relevant: CFG maintains market share in all markets in almost all countries except in Portugal (-1%) where national brands have decreased in favor of private labels

CFG BRANDS VALUE SHARE (%)



(1) Portugal figures for cooked ham segments only

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

Highlights of the period – Raw material impact

- Pig carcass prices have increased significantly in all European markets since the beginning of the year
- The highest price was reached in May
- Prices remained flat in June vs. May

Pig Carcass Average Price (euro/kg)

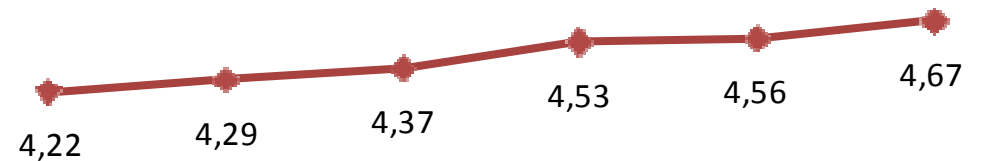
	2009	2010	2010/09	Jan-June 2010	Jan-June 2011	YTD 2011 / 10
Spain Mercolleida	1.41	1.42	1.2%	1.42	1.58	11%
France MPB	1.29	1.29	-0.4%	1.26	1.44	14%
Netherlands Monfoort	1.36	1.35	-0.6%	1.33	1.44	8%
Belgium Danis	1.29	1.26	-2.2%	1.24	1.33	7%
Germany AIM	1.42	1.41	-0.9%	1.38	1.47	7%
Denmark DC	1.21	1.24	3.2%	1.22	1.32	8%

Highlights of the period – Raw material impact

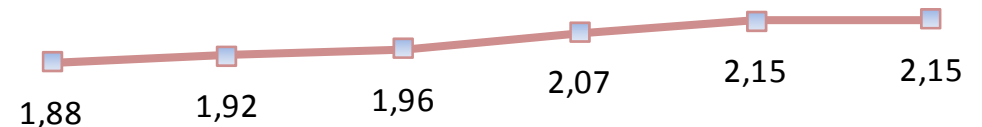
Raw material impact on Q2 2011

- Meat represents the most relevant cost line for CFG, prices have peak in May and June 2011, impacting on H1 margin
- Q2 average meat cost at 2,12€/kg, 10% higher than Q1 2011 and 11% higher than Q2 2010
- In addition, the cost of auxiliary and packaging materials, have also increased throughout the first half of 2011 (from 0,44€/kg to 0,46€/kg, 4% higher vs. PY)

(NSV/kg - Jun vs Jan:+11%)



(Meat/kg - Jun vs Jan:+14%)



Improving gross margin

- Our top line strategy deployment, including sustained pricing actions, have generated a €/kg net sales increase month after month in 2011
- Meat cost have also been increasing month after month, until May; however, June's €/kg has stabilized
- This peak on meat cost will remain during part of Q3; beyond, no further increases are expected
- Both trends (pricing actions and meat prices development) will enable CFG to recover it's margin level as we approach the end of the year

Highlights of the period – Fiorucci

- CFG consolidating Fiorucci results since April 1st, 2011
- Italy, also suffering from meat prices increase, but high double digit impact only since end of March 2011, later than in the other relevant European countries
- Delay on pricing actions deployment, meaning no impact in the first half of 2011. Expected positive impact on the second half of the year, starting in July
- 10M€ EBITDA synergies expected in 2-3 years time (net of investments)
- Fiorucci's Q2 EBITDA margin below CFG, impacted by the above lack of top line execution strategy, namely innovation and pricing actions, now being deployed under CFG leadership, as well as the significant raw materials cost increase



Q2 results	sales	EBITDA	margin
Fiorucci	61,2	1,7	2,8%
CFG w/ Fiorucci	938,6	64,1	6,8%
CFG w/o Fiorucci	877,4	62,4	7,1%

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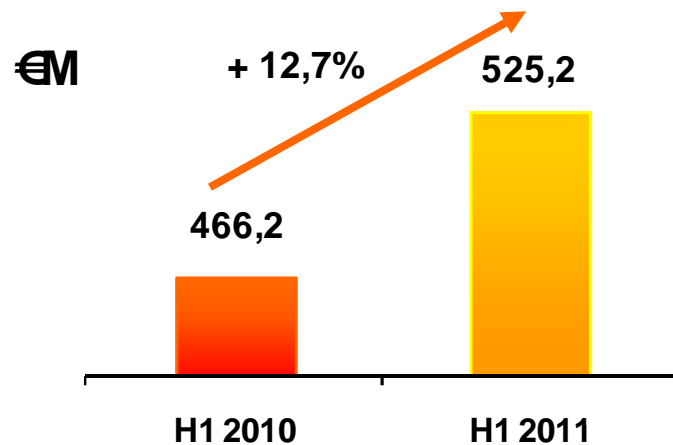
H1 2011 Trading

(€M)	H1 2010	H1 2011	Var %
Volume (000Tns)	200,9	210,9	5,0%
Net Sales	863,7	938,6	8,7%
EBITDA reported	72,8	64,1	(12,0%)
EBITDA margin	8,4%	6,8%	(160)bp
Net finance cost	(28,3)	(25,8)	(9,0%)
Attributable Net Income	10,7	3,5	(67,4%)
Operating Free Cash Flow	34,1	47,6	13,4€M
Net Financial Debt	390	509	119,0€M
Leverage ratio	2,6x	3,0x	

- H1 Sales increase of 8,7%;
Excluding Fiorucci increase is 1,6%
- Pricing, reflecting inflationary pressures and raw material cost increases, now beginning to have impact
- The current commodity context has had a negative impact on the 2011 H1 EBITDA, but further significant cost increases are not foreseen, while pricing and productivity actions will lead to a margin recovery
- NFD and related leverage increase due to Fiorucci acquisition, but prior levels expected to be recovered in the short run

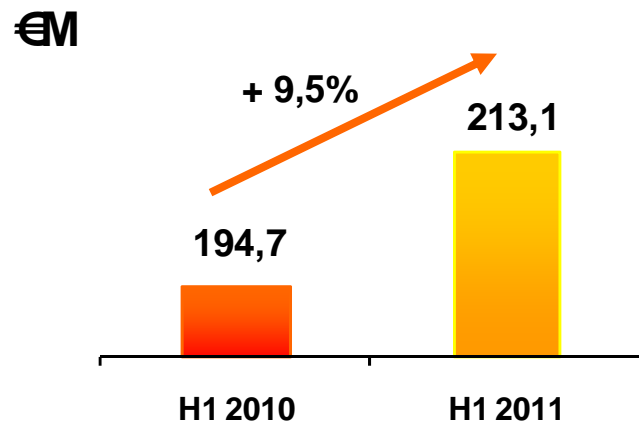
H1 2011 Trading

Raw material



- Raw material total cost increase of 5%, excluding Fiorucci
- Impact from both meat and non meat

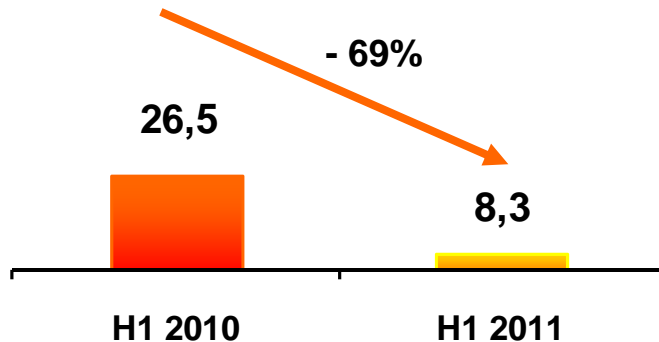
Conversion costs (*)



- Total conversion costs increase of 3%, excluding Fiorucci
- Major impacts coming from product mix (higher pre-sliced sales) and utilities cost increases

H1 2011 Trading

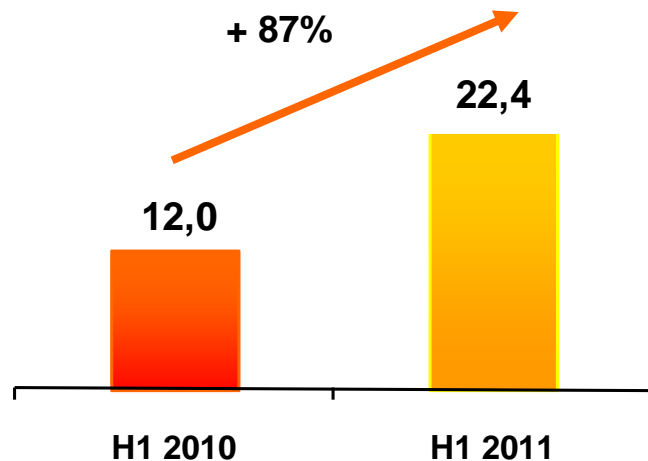
Working capital



➤ Working Capital:

- 18M€ Working Capital reduction, as an optimization of Balance Sheet management

CAPEX



➤ CAPEX:

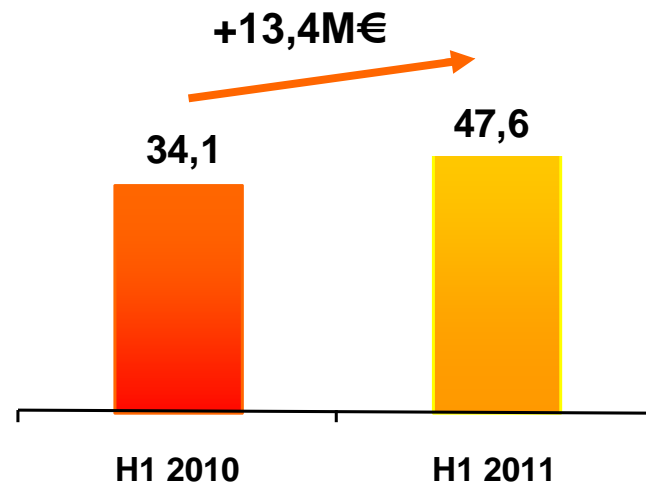
- Increase on CAPEX vs. 2010 to support the investment on a new ERP (SAP)
- However, CAPEX will be maintained below depreciation

H1 2011 Trading

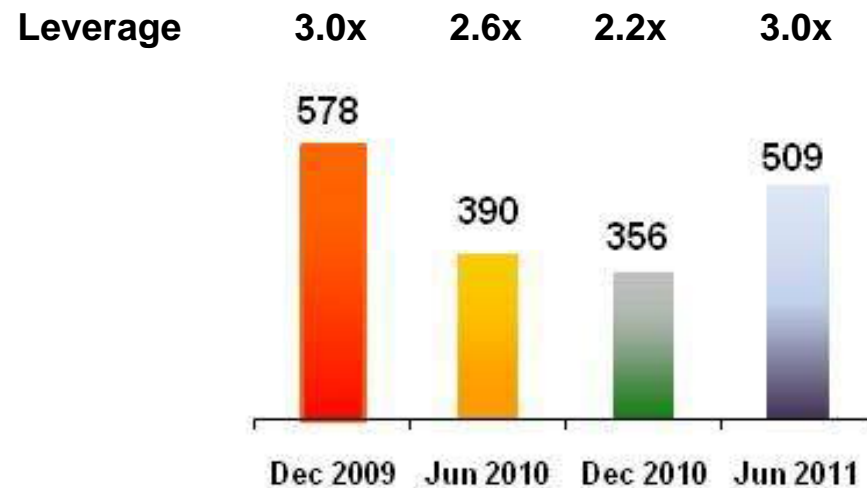
STRONG CASH GENERATION:

- ✓ OFCF +13,4M€ vs. PY mainly thanks to Working Capital decrease
- ✓ Leverage ratio of 3,0x EBITDA in June 2011
- ✓ Despite Fiorucci investment, strong €119M cash position that together with €239M available bank lines lead to a solid €358M liquidity position
- ✓ Resulting leverage ratio has increased as a consequence of Fiorucci acquisition, but deleveraging trend initiated 18 months ago is expected to resume from next quarter onwards, based on cash generation and debt repayment

OCF (1)



Net financial debt



H1 2011 Trading

Positive branded sales development in total retail increasing 2% in 2011 H1 vs. PY (excluding Fiorucci)

Top-line compensation driven by Southern Europe, particularly in Spain processed meat

Portugal continues under a challenging economic environment, particularly on the traditional channel

Northern Europe impacted by product portfolio reshaping (France) while Aoste branded retail sales increased 6.1% vs. PY

(YTD M€)	H1 2010	H1 2011	% Var.	(%Var. excl. Fiorucci in H1 2011)
Tons (Thousand)				
Southern Europe	118,4	130,8	10,5%	(1,3%)
Northern Europe	83,8	83,3	-0,7%	
Eliminations	-1,4	-3,1		
Total Tons	200,9	210,9	5,0%	(-0,4%)
Net sales (€M)				
Southern Europe	399,6	472,6	18,3%	(2,9%)
Northern Europe	472,2	478,3	1,3%	
Eliminations	-8,1	-12,2		
Total Net sales	863,7	938,6	8,7%	(1,6%)

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

H1 2011 Trading

Substantially higher raw materials, both on meat and non meat (+13% vs.PY), had a negative impact on operating margins

Pricing actions, mix management and productivity programs, expected to offset raw materials cost increase in the second half of the year

	H1 2010	H1 2011	% Var.	(% Var. excl. Fiorucci in H1 2011)
EBITDA reported (€M)				
Southern Europe	43,2	41,5	-4,0%	(-8,0%)
Northern Europe	40,0	32,7	-18,2%	
Others	-10,5	-10,1		
Total EBITDA	72,8	64,1	-12,0%	(-14,3%)
EBITDA margin (%)				
Southern Europe	10,8%	8,8%	-204 bp	(-115 bp)
Northern Europe	8,5%	6,8%	-163 bp	
Others	n.a	n.a		
Total EBITDA Margin	8,4%	6,8%	-160 bp	(-132 bp)

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

H1 2011 Trading - Financial summary

➤ RESULTS:

- ✓ Net Sales +8,7%; +1,6% excluding Fiorucci
- ✓ EBITDA of 64,1M€ -12,0% vs. PY; -14,3% excluding Fiorucci
- ✓ EBITDA Margin down 160bp vs. PY; -132bp excluding Fiorucci
- ✓ Financial costs stable in spite of higher NFD

➤ CASH:

- ✓ 47,6 M€ Cash Flow achieved in 2011 H1 (+39.2% vs. PY)
- ✓ Permanent discipline in working capital and cash management bearing fruit
- ✓ Robust 119M€ cash position in spite of €75M€ circa cash invested in Italy in April
- ✓ Leverage ratio at 3.0x expected to come down from next quarter onwards to resume deleveraging trend

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- Fiorucci

H1 2011 Trading

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- **Meat prices continuously going up since January 2011, have peak in May and stabilized in June 2011, strongly impacting on Q2 margin**
- **Meat cost will remain high during a part of Q3, and no further increases are expected afterwards**
- **First semester initiatives to deploy value growth are now visible and will lead to a margin recovery**
 - ✓ Company focused on top line growth through pricing actions, innovation, brand building and improved mix
- **We are starting the deployment of growth strategies for Fiorucci that will impact on the second half of 2011, synergies will be in line with the initial estimations**

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FOOD GROUP

...food you know, for people you love