

Campofrio Food Group 2012 First Quarter Earnings Call



11th May 2012

AGENDA

Executive Summary

Highlights of the period:

- Growth Accelerators
- Update on Fiorucci
- Raw materials environment

YTD Q1 2012 Trading

Conclusion

Executive Summary

- **Challenging economic and financial conditions in Europe**
- **Value top line growth thanks to strong performance on our European categories and retail branded business**
- **Still difficult commodities context with higher than expected Jan to March pig prices due to decreasing supply in Europe**
- **Solid €151M cash position (+9.4% vs. YE11) and robust €356M liquidity position**

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In the recently communicated strategic plan, we decided that we would harness the power of the Group around a number of priority product categories and growth platforms

- **Dry Sausage** and **Poultry** are European categories to be managed across all our markets
- **Snacking, Heritage Range and Health / Clean Label** are our European Growth Platforms being addressed in all markets
- **Hot Dogs** and **Cooked Ham** are “regional” priorities, split between North and South of Europe
- The other categories (e.g. Dry Ham, Pizzas) are managed locally in line with the business’ Front End strategy

We are focusing on the growth of our more strategic brands through

- **Relevant innovation projects** (Centers of Expertise, Innovation Committee, increased resources)
- **Higher level of MAP investments on multi-country and multi-category brands, European categories and growth platforms**, with a strong focus on brand building activities
- **Rationalization of our branded portfolio to maximize its efficiency**

The first quarter of 2012 has delivered a very positive performance on our European categories and retail branded business supported by the introduction of several strong new product concepts

Net sales
growth in 4
Key
Categories

+4.4%*

*(Branded sales and Private
Label)*

Net sales
growth in
branded
products

+5.0%*

Launch of
new
product
concepts,
special
focus
on Health,
Snacking
and
Heritage

12.3%*

(of total net sales)

- Total net sales growth of branded and non-branded is 3.1%
- * Figures do not include Fiorucci (only organic growth)

In the Dry Sausage category, we grew by 6% in net sales value with NPD, communication and strong in-store visibility

- Positioning CFG as the most innovative company in this category:

- Taste + Health
- Value for Money



- Excellent Point-of-Sale Displays



- Impactful Communication



Dry Sausage

+7%* growth in NS vs. PY

In the Poultry category, we have grown by 9% in net sales through launch of products with premium taste catering to different markets and moments of consumption

- Strengthen the taste benefit to enhance premiumness of category



- Launch of new products to target kids



- Introduce more snacking and convenience formats



Poultry

+9%* growth in NS vs. PY

We are developing the Hot Dogs category through:

- Focus on value for money, fun and health



- Out of home Consumption: Oscar Mayer Street program in Spain



Hot Dogs

+1%* growth in NS vs. PY

Following a successful year on snacks where we grew by 15%, we have started 2012 with exciting new product launches supported by impactful communications and high in-store visibility

- Launch of Mini Stickados & value for money products



- Communication & excellent visibility in stores



- Launch of new concept Panninofingers



Snacking

+ 14%* growth in NS vs. PY

We have focused our expansion in the health range on the development of clean label, less fat and salt resulting in a growth rate of 30% for the first quarter

- Development of Clean Label Concept in dry products



- Expansion of the Clean Label concept with Naturalissima in CFG America and Naturrissimo in Italy



- Less fat and less salt



Health/Clean Label
+25%* growth in NS vs. PY

Our heritage products, both Spanish and Italian, have demonstrated increasing consumer acceptance in most markets and we are now setting the motion for the second phase

- Expansion of Campofrio Tapas range



- New range of Fiorucci across Europe, with a single brand expression and new portfolio



Heritage

+24%* growth vs. PY

For Fiorucci, the drivers of change for the company will be:

- A new story to tell on brands
- A new organization
- Innovation
- Portfolio management:



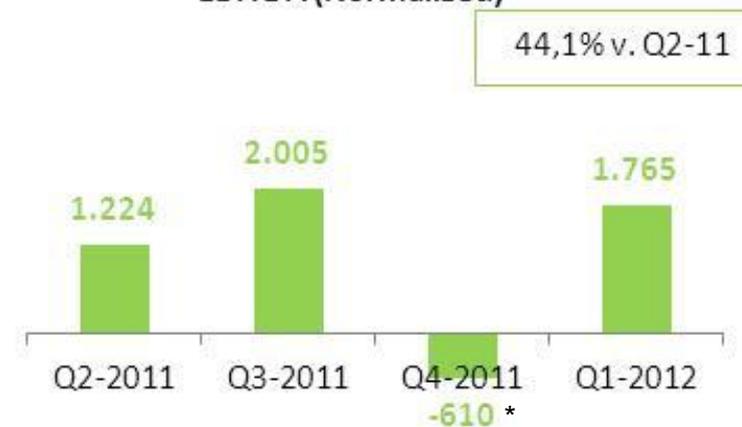
- New range improving quality and positioning
- New packaging improving visibility and communication
- Leverage international positioning



Fiorucci Net Sales (Europe & USA)



EBITDA (Normalized)



* Mainly explained by strong MAP investments during last quarter

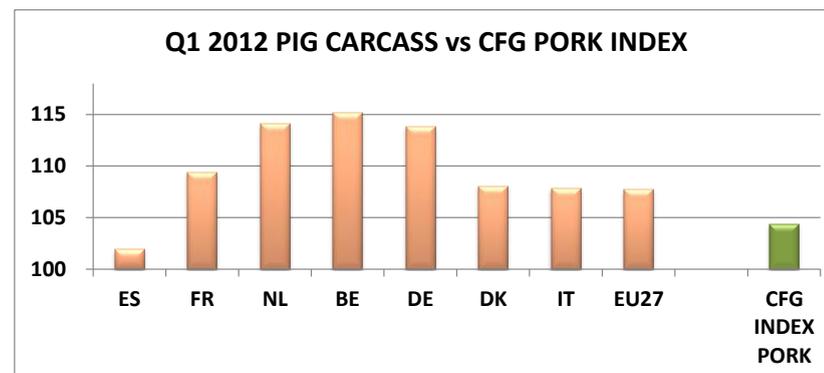
Highlights of the period – Raw Materials Environment

Raw material impact

- Business fundamentals remain challenging, higher than expected January to March pig prices due to decreasing supply

	2006	2007/25	2008/27	2009	2010	2011	2012
Q1	2,6%	5,4%	1,3%	-3,2%	1,6%	1,6%	-0,9%
Q2	1,1%	2,9%	-0,3%	-1,3%	2,5%	2,1%	-1,4%
Q3	0,5%	4,2%	-1,7%	-2,5%	0,8%	2,6%	-1,0%
Q4	1,4%	4,7%	-3,7%	-0,7%	0,7%	-0,9%	0,4%
Total Year	1,0%	4,3%	-1,1%	-1,9%	1,4%	1,4%	-0,7%

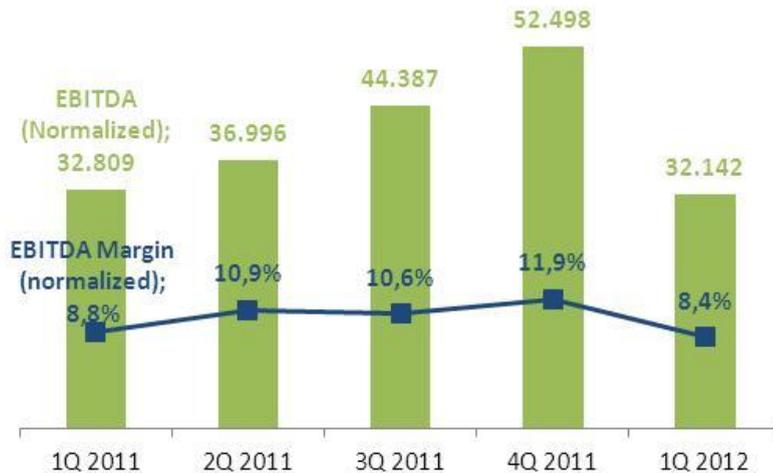
- ✓ During Q1, raw material prices increased +3,9% versus last year
- ✓ EU 27 pig carcass prices trade at 10 year high (CFG index 104 vs 107 European average, i.e. 3% productivity)



Highlights of the period – Margin development



Total CFG: Figures do not include Fiorucci or CFG America



Total CFG: Figures do not include Fiorucci or CFG America

Although in Q1 2012 hams and poultry meat are slowing down, other cuts (especially those used in dry sausages and hotdogs) are still going up

Efforts on value enhancement and productivity to compensate inflationary raw materials have partially offset the increase of cost of goods sold in 2012, and GM €/kg is €0.04 lower than Q1 LY

Nevertheless, overall EBITDA in Q1 2012 is almost in line with Q1 2011:

- Successful result of 2011 sales price efforts
- Intelligent volume growth focusing on profitable mix (+0.10€/kg NSV in processed meat)
- Continuous improvement from global sourcing (European Meat Platform)
- Keeping conversion cost/kg flat in spite of inflation and reducing operating expenses, showing CFG's ability to find productivities vs. market evolution

AGENDA

Executive Summary

Highlights of the period:

- Brand building
- Innovation
- Raw material impact

YTD Q1 2012 Trading

Conclusion

Q1 2012 Trading

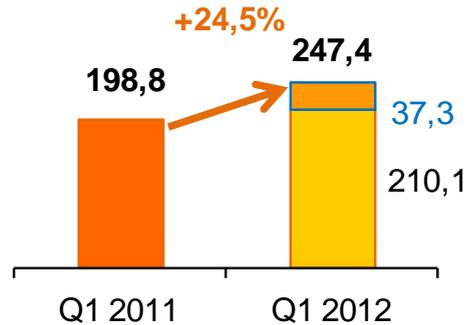
(€M) YTD	Q1 2011	Q1 2012	Var %	Q1 2012 (wo Fiorucci)	Var %
Volume (000Tns)	84,8	97,7	15,2%	86,8	2,3%
Net Sales	371,3	447,4	20,5%	382,9	3,1%
EBITDA reported	33,2	33,9	2,1%	32,2	(3,1%)
EBITDA margin	8,9%	7,6%	(136)bp	8,4%	(54)bp
EBITDA Normalized	32,8	33,9	3,3%	32,1	(2,0%)
EBITDA margin	8,8%	7,6%	(126)bp	8,4%	(44)bp
Net Finance cost	(11,0)	(13,9)	26,4%		
Attributable Net Income	2,8	(0,6)	(122,4%)		
Operating Free Cash Flow	29,3	10,9	(18,4)€M		
Net Financial Debt	334,4	482,5	148,1€M		
Leverage ratio	2,1x	2,8x			

- L4L **volume** growth is 2.3%
- **Net sales** excluding Fiorucci increase 3.1% thanks to value enhancement strategy
- Pricing actions, innovation and mix improvements partially compensated the inflationary raw material trends
- In spite of these efforts, normalized **EBITDA** margin excluding Fiorucci is 8.4%, 44bp lower than LY
- **Net Debt** Increase in April 2011, following Fiorucci acquisition

Q1 2012 Trading

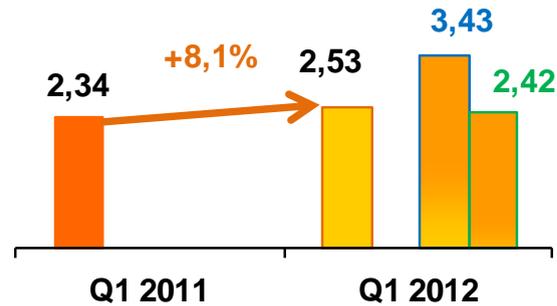
Material Costs

€M



Blue = Fiorucci

€/Kg



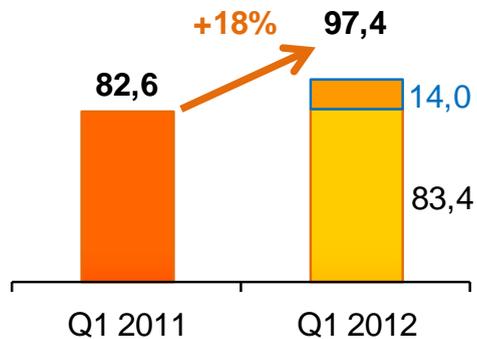
Blue = Fiorucci

Green = without Fiorucci

➤ Excluding Fiorucci, cost of materials increased 5.7%

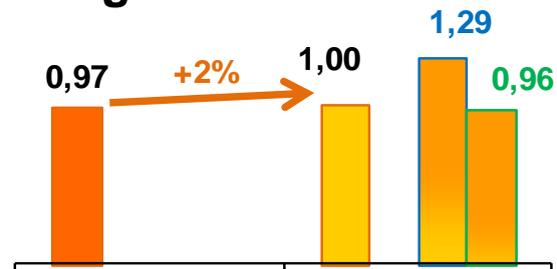
Conversion costs (*)

€M



Blue = Fiorucci

€/Kg



Blue = Fiorucci

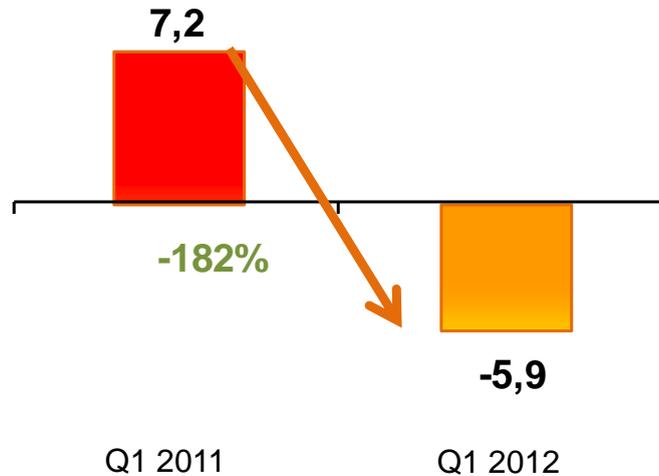
Green = without Fiorucci

➤ Excluding Fiorucci, total conversion costs increased 1% (whilst volume increased by 2,3%), and €/kg is €0.01 lower

Q1 2012 Trading

Working capital

€M

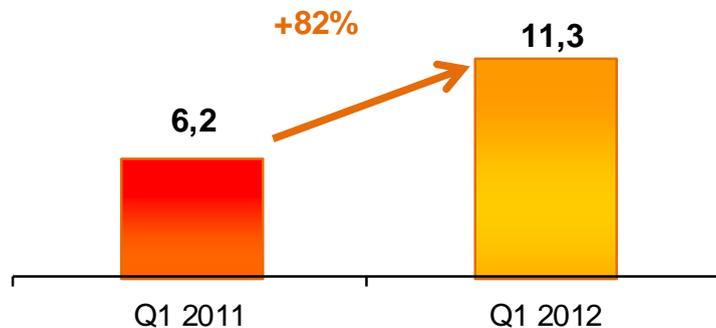


➤ Working Capital:

- Working capital reduction of €13.1m as a result of continuous optimization of Balance Sheet management
- Our permanent focus on working capital and cash management continues to bear fruit and no use of cash is expected over time in this regard

CAPEX

€M



➤ CAPEX:

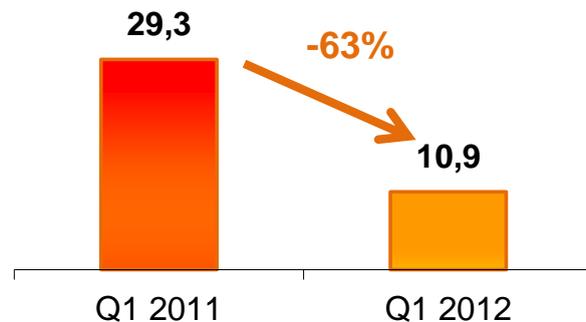
- Higher Capex vs previous year mainly due to Fiorucci and the new ERP implementation
- Despite new strategic plan, CAPEX should not impair on-going cash management policy

Q1 2012 Trading

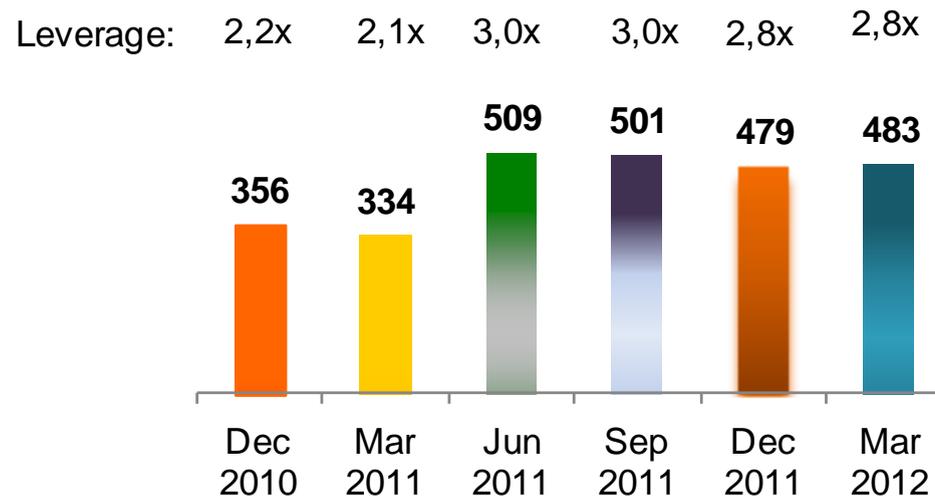
CASH GENERATION:

- ✓ In spite of relatively lower OFCF in Q1, positive cash generation is expected to be maintained
- ✓ Solid €151M cash position (+9.4% vs. YE11) and robust €356M liquidity position including €205M fully available bank lines being committed by 12 different banks
- ✓ Deleveraging trend is maintained after leverage having peaked in Q2 last year as a consequence of the Fiorucci acquisition

OCFC (1)



Net financial debt



Q1 2012 Trading

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

Northern Europe focus on value increasing net sales 6.6% with lower volume growth

Overall Net sales growth of 3.1% (excl. Fiorucci) shows successful impact of 2011 pricing campaign, innovation and mix improvements

YTD Tons (Thousand)	Q1 2011	Q1 2012	% Var.	(% Var. Excluding Fiorucci in 2012)
Southern Europe	58,8	72,7	23,6%	7,8%
Northern Europe	27,0	27,4	1,5%	
Others	0,0	1,7		
Eliminations	-0,9	-4,0		
Total Tons	84,8	97,7	15,2%	2,3%
YTD Net sales (€M)	Q1 2011	Q1 2012		
Southern Europe	195,8	262,0	33,8%	6,2%
Northern Europe	180,0	191,9	6,6%	
Others	0,0	11,5		
Eliminations	-4,5	-18,1		
Total Net sales	371,3	447,4	20,5%	3,1%

Note: Southern Europe includes operating activities mainly managed in Spain, Portugal and Italy in 2012, 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. Intercompany sales between segments which are eliminated during consolidation.

Q1 2012 Trading

Southern Europe excluding Fiorucci increases EBITDA v. LY and maintains 2011 EBITDA margin

YTD EBITDA normalized (€M)	Q1 2011	Q1 2012	% Var.	(% Var. Excluding Fiorucci in 2012)
Southern Europe	16,6	18,0	8,4%	4,6%
Northern Europe	17,2	14,8	-13,7%	
Others	-0,9	1,1		

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

Total EBITDA	32,8	33,9	3,3%	-2,0%
EBITDA margin (%)	Q1 2011	Q1 2012		
Southern Europe	8,5%	6,9%	-161 bp	-13 bp
Northern Europe	9,5%	7,7%	-182 bp	
Others		9,6%		
Total EBITDA Margin	8,8%	7,6%	-126 bp	-44 bp

Note: Southern Europe includes operating activities mainly managed in Spain, Portugal and Italy in 2012, 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.

Q1 2012 Trading - Financial summary

➤ RESULTS:

- ✓ Top line growth of 20.5% driven by inorganic growth, top brands increase, innovation, mix optimization and pricing initiatives (+3.1% excluding Fiorucci)
- ✓ Effort to minimize impact of raw materials hike on EBITDA via value creation, as well as productivity measures
- ✓ Still, normalized EBITDA margin down 126bp due to lower margins in Fiorucci and impact of meat for dry sausages and hot dogs (excluding Fiorucci margin is down 44bp)

➤ CASH:

- ✓ Strong €151M cash position (+9.4% vs. YE11)
- ✓ €205M fully available committed bank lines with 12 different banks
- ✓ As a result, robust €356M liquidity position
- ✓ Leverage ratio at 2.8x expected to be maintained below 3x going forward in line with the given guidance

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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 20,5% sales growth (3.1% excluding Fiorucci)**
- **Strong efforts to ensure a successfully integration of Fiorucci, through portfolio management and brand positioning redefinition**
- **Continuous improvement from global sourcing (European meat platform) and other productivity measures**
- **Solid financial structure with strong liquidity and no refinancing pressure**

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