

Campofrio Food Group 9M 2013 Earnings Call



11th November 2013

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Highlights

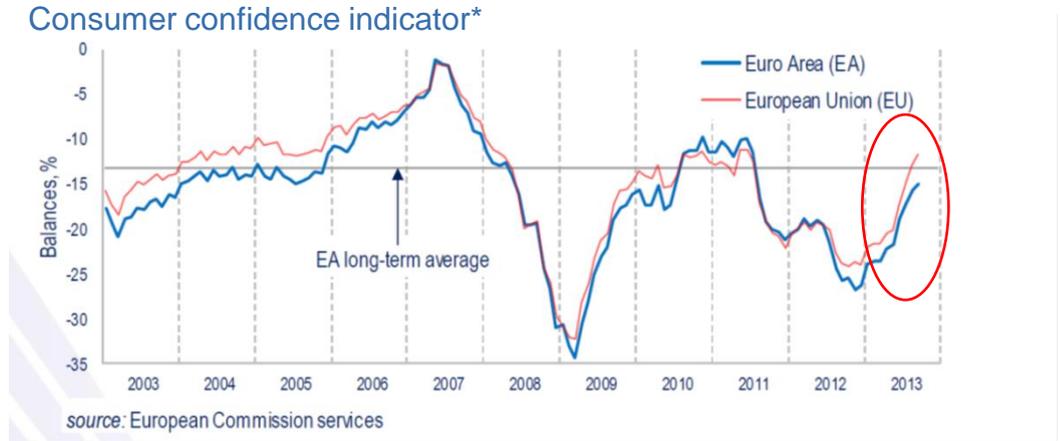
- Net sales Value: € 1,390.9 M => almost flat vs. 9M12, with brands growing by 1.0%
- Gross margin/kg - 0.3%, with stronger raw material inflation in 3Q, while net sales/kg increase by +1.7% in 9M13
- EBITDA norm: € 100.1 M => 3Q13 €38.2 M } => Growth of + €2.1 M vs.2Q13
=> Reduction of - €0.2 M vs.3Q12
- Net profit: € 1.8 M
- Cash position: € 139 M
- Total Liquidity: € 360 M
- Net Financial Debt: € 473.2 M, € 17 M below 1H13; Leverage ratio 3.2x improved vs. 1Q13 and 2Q13

A more challenging 3rd quarter, with stronger impact of raw materials inflation
Cost cutting measures continue having a positive impact on EBITDA
Strong cash and liquidity position maintained

Business environment

Confidence improving, first signs of economic recovery

- Consumer confidence indicator* showing a clear upward trend, based mostly on higher confidence in Germany, France and Spain
- GDP was up in the EU by 0.3% in the second quarter vs. 1Q13 after six quarters of recession
- Nevertheless, weak market conditions remain in Europe with South European economies showing a sluggish performance
- The recovery in domestic demand and private consumption is forecasted for 2014 in the large European countries except for Spain (-0.4% in 2014)** as unemployment rate remains at record levels



“Confidence indicators for 3Q13 as a whole show that recovery is underway, including the peripheral countries. The activity indicators do not show such positive signs, and are more in line with a weak and slow exit from recession”

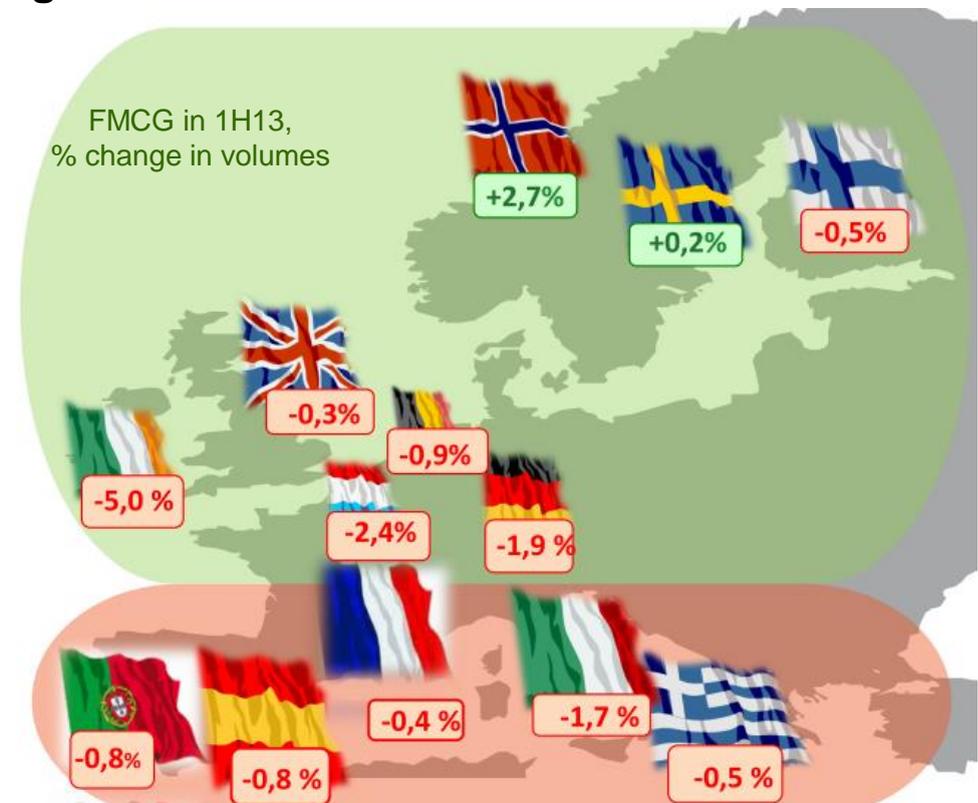
BBVA, Economic Watch Europe, Oct.10th 2013

World Economic Outlook, October 2013. International Monetary Fund

	Real GDP Annual % Change			Total Domestic Demand Annual % Change			Private Consumption Annual % Change		
	2012	2013E	2014E	2012	2013E	2014E	2012	2013E	2014E
United States	2,8	1,6	2,6	2,6	1,4	2,6	2,2	2,0	2,4
Euro Area	-0,6	-0,4	1,0	-2,2	-1,2	0,5	-1,4	-0,7	0,5
Germany	0,9	0,5	1,4	-0,3	0,5	1,3	0,8	0,8	1,1
France	0,0	0,2	1,0	-0,9	0,1	0,9	-0,3	0,4	0,8
Italy	-2,4	-1,8	0,7	-5,3	-2,8	0,2	-4,3	-2,4	0,2
Spain	-1,6	-1,3	0,2	-4,1	-3,5	-1,3	-2,8	-2,8	-0,4

A challenging consumption environment

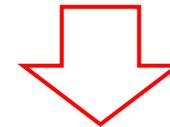
- **FMCG* consumption remains weak**
- **Increased price competition (promotions)** among leading brands
- **Growth of private label gradually slowing down in 2013****
- Consumers focus on buying essential FMCG at “special prices” and avoid impulse buying
- Volumes for FMCG down in most European countries
- FMCG prices reflect inflationary pressure of raw materials, nevertheless slowing down in Europe; +3.1% in 1H13 vs. +3.6% in FY 2012
- FMCG sales in value slowing down in Europe; +2.2% in 1H13 vs. +3.6% in FY 2012



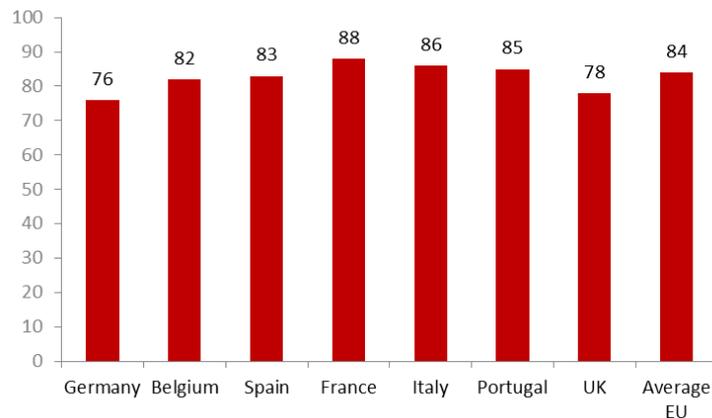
Source: ¿A turning Point? Evolution of Markets, Nielsen Oct 2013

Meeting new consumer needs

- Preference for **healthier** and more natural products, **value for money** and **convenience**
- Premium meat products, enhanced flavours and high quality ingredients
- Products “easy to handle”; convenience and with freshness guaranteed
- More home consumption, alternative snacking occasions
- Aging population; healthy food, no additives, low fat & salt content
- Packaged food is the more resilient category within the “Fresh food + FMCG” **



¿WILL HEALTHY FOOD BE OF PRIORITY FOR YOU IN THE NEXT FEW YEARS?
% of positive answers



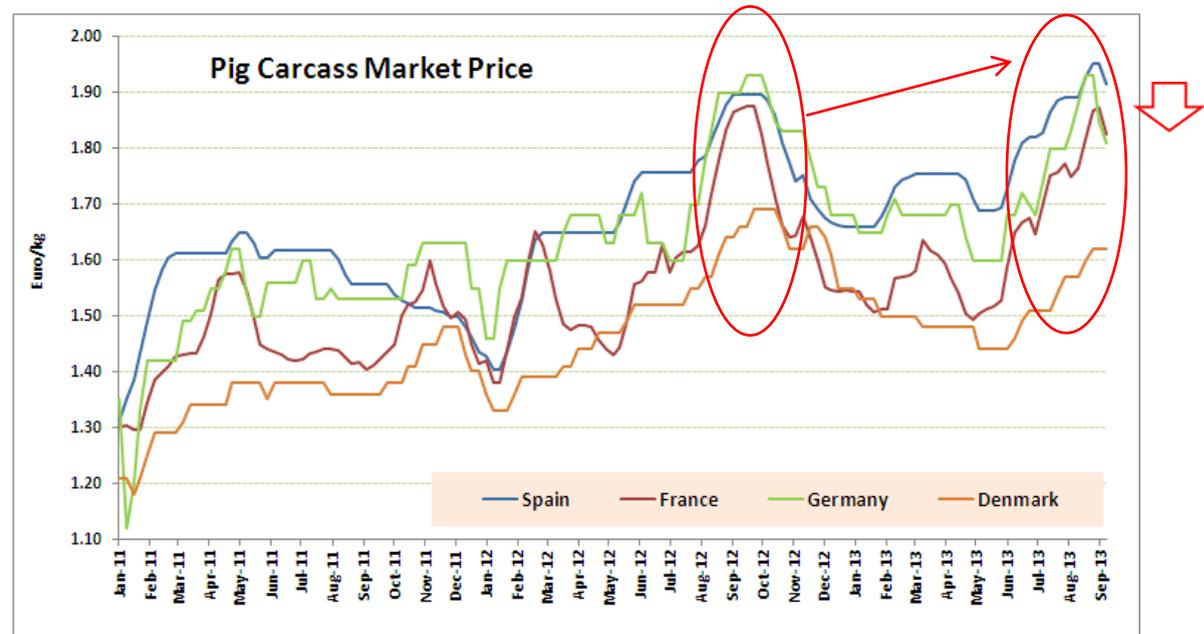
Source: Observatory for European Consumption, Cetelem 2013

Loyalty to brands only if:

- Brands have a strong emotional bond with the consumers
- Brands offer innovative solutions to evolving consumer needs
- Brands ensure high quality products at competitive prices => High perception of value

The meat market

- Meat prices still impacted by lower pork meat production in Europe (-2% in 2013E)
- Higher expected profitability by farmers due to lower feed prices should have a positive impact on pig population and therefore reduce price inflation from the beginning of 4Q13 onwards
- Pig prices still high, with above average inflation in Southern Europe, due to lower meat production in Spain and Italy



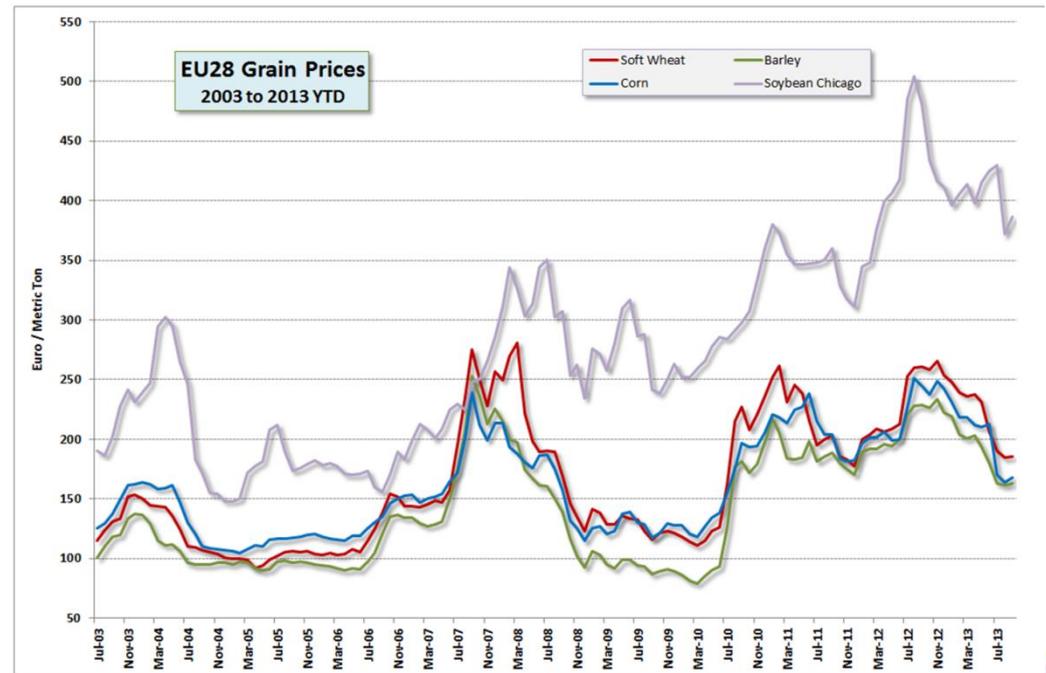
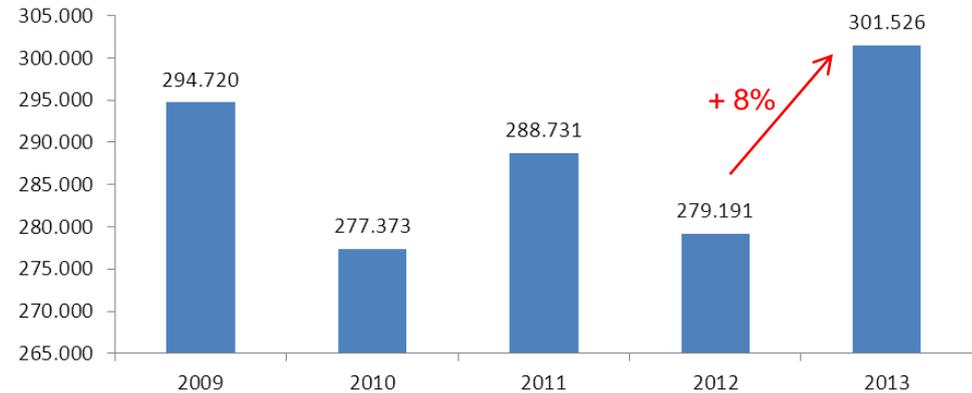
Pig Carcass Average Price (euro/kg)

	2011	2012	2012/11	Jan-Sept 2012	Jan-Sept 2013	YTD 2013/12
Spain Mercolleida	1.57	1.72	9.5%	1.68	1.78	5.8%
France MPB	1.45	1.60	10.1%	1.57	1.63	3.8%
Netherlands Monfoort	1.48	1.67	13.0%	1.63	1.67	2.2%
Belgium Danis	1.37	1.55	13.4%	1.52	1.52	0.4%
Germany AIM	1.52	1.71	12.2%	1.67	1.71	2.7%
Denmark DC	1.36	1.52	11.9%	1.47	1.51	2.5%
Italy	1.32	1.40	5.7%	1.33	1.40	5.0%

Business environment

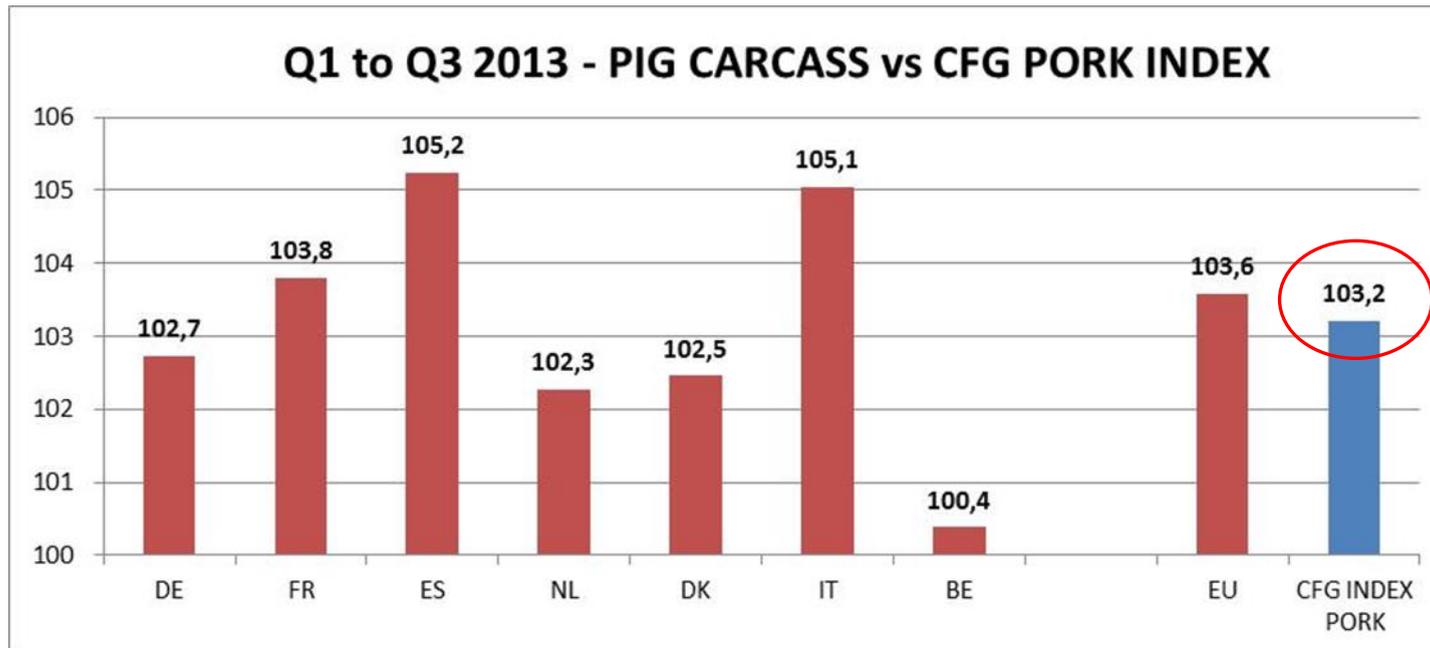
- In 2013, the EU27 crop is expected to increase by 8% to 301 MT, mainly due to a forecasted increase in wheat production of +7% and corn of +15%
- EU grain prices are below their record Summer 2012 price level but still remain far above their 5 year average
- In the US the 2013-2014 grain campaign is expected to show a record corn crop (+31%, 14.1 bn bu.*) and soybean production (+12%, 3.4 bn bu.)
- In Brazil the soybean crop in 2013 will surpass the US production for the first time ever

EU27 Cereals production, 1000 tn



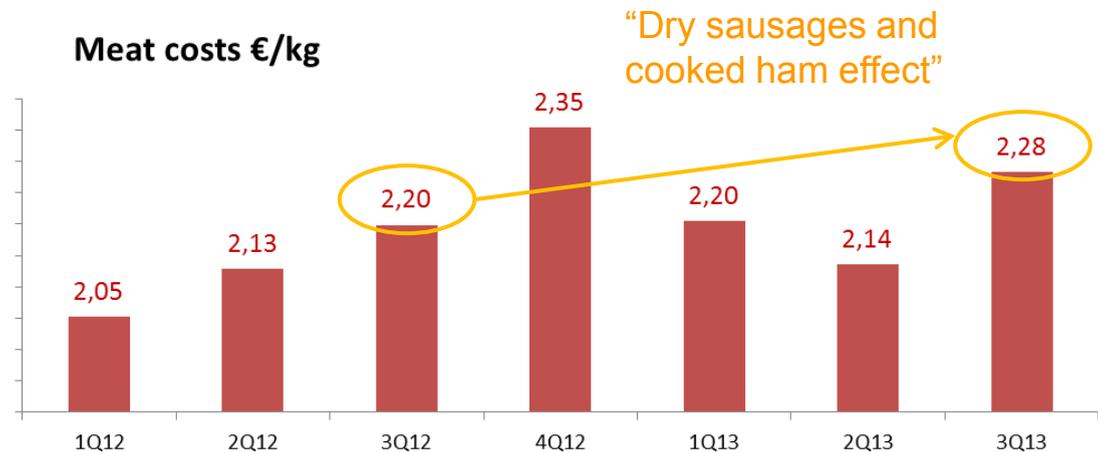
Business environment

- The inflationary scenario in 2013 continues affecting Spain and Italy the most, while during the same period of 2012, the countries with the highest prices were Belgium, The Netherlands and France. Unfavourable comparison in hams and shoulders as they traded at much lower prices in 2012
- Poultry: CFG continues mitigating price increases with forward contracts
- CFG continues beating the market

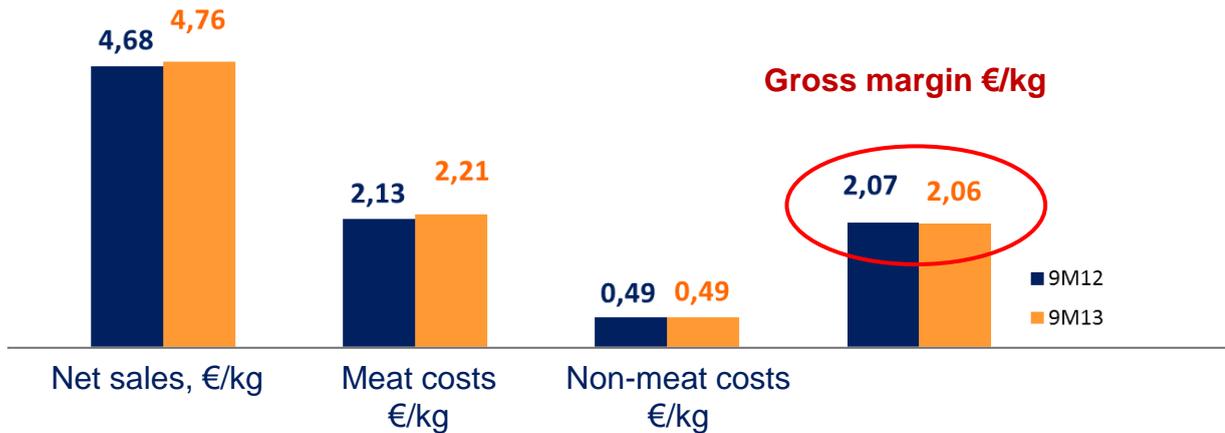


Specific conditions and actions taken in 9M13

- Raw materials inflation exceptionally affecting the 3Q of 2013 due mainly to higher prices for pig shoulders and “ham to cook” leading to increased costs for dry sausages and cooked ham respectively
- For 4Q13 a better comparison base and benefits from lower meat prices are expected



Gross margin €/kg slightly lower on higher meat costs



- Higher net sales per kg due to successful pricing actions and innovation
- To protect margins cost cutting measures continue: They have led to a reduction of 3.0% in “other operating expenses”. In 3Q13 the positive impact on costs is higher than in 2Q13 with cost cutting initiatives gaining momentum

Top line evolution

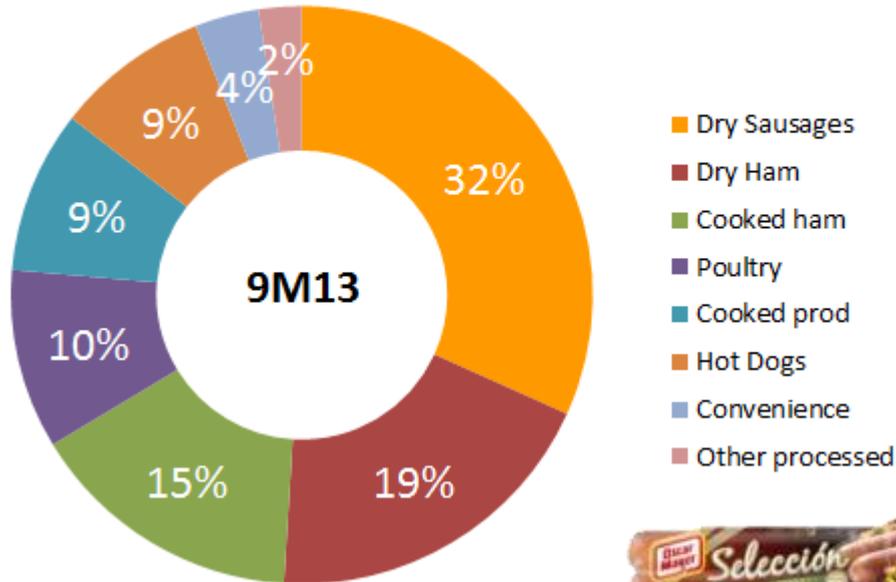
Strength of strategic brands: Stable leadership



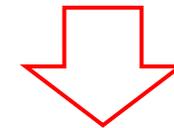
Market shares of our strategic brands remained stable in 9M13, despite the aggressive growth strategies in private label

Top line evolution

CFG Net Sales Value 9M2013: € 1,390.9 million , -0.2%

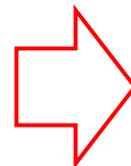


- Higher growth in 3Q in dry sausages (+2.1%) and poultry (+3.6%). The “convenience” category outperforms with growth of 5.7%



High growth in Revilla and Navidul continues

- Dry sausages, poultry and convenience categories growing between 2% and 6%
- Hot dogs stable and lower sales in dry and cooked ham, and other cooked products
- Growth platforms – health, snacking and heritage – have grown together by 20%



Innovation as driving force for profitable growth



Growth platforms

Health +25%

Accelerates growth (+25% in 1H13)
and beats the market trends



New well being range, CUIDA -t
launched in Spain



Snacking +18%

Maintains its growth speed,
Spain, France and USA
outperforming!



Heritage +13%

Outstanding performance in
3Q13 (vs. +6% in 1H13)



The growth platforms improve its solid performance in 3Q13
Innovation proves to be the right strategy for future profitable growth

Health category, beating the market trends



Slices Format
1.012.000 Kg
15 references



Deli Format
504.000 Kg
4 references



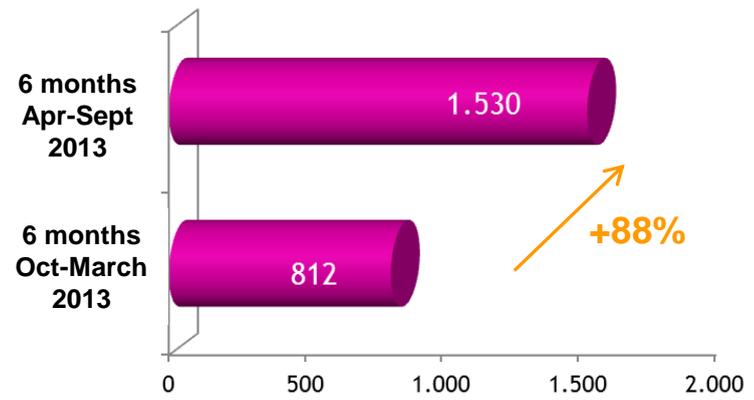
Mini Format
87.000 kg
2 references



Fuet Format
37.000 Kg

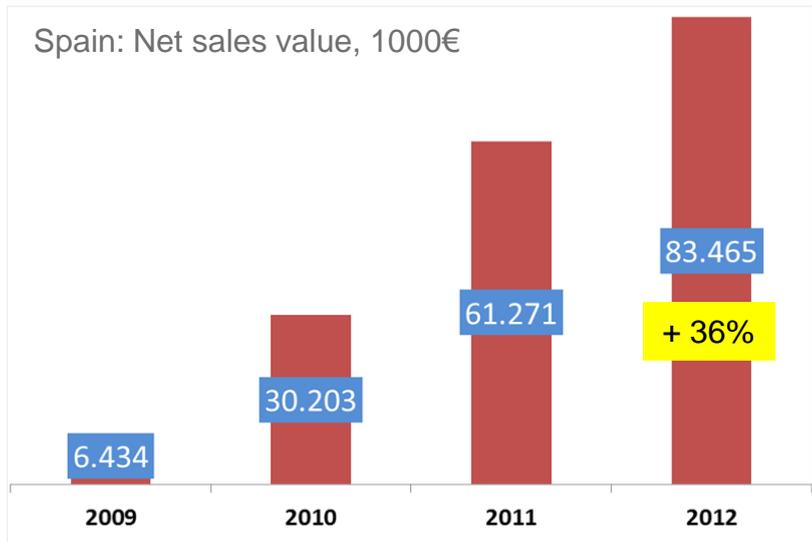
Cuida-t⁺

Sales: 1.530 tons in 6 months +88%
between 4 categories: York, Turkey,
Cold cut and Dry sausage



Cuida-t+ grows in volumes well above the market (+9%)

Affordable range, adapting to more challenging consumption trends



9M13: € 77 mn
Growth of 24% in Spain



Navidul 1€ pre-sliced cured ham

!!1st SKU in Spain (units sold) !!

34 MILLION



Profit and Loss Account 9M13

Profit & Loss Account CFG

€ M	9M13	9M12	Var. %
Net Sales Value	1.390.944	1.393.327	-0,2%
Other operating revenues	9.646	9.166	5,2%
Consumption of goods	-777.521	-757.709	2,6%
Total other operating expenses	-523.324	-539.416	-3,0%
EBITDA reported	99.745	105.368	-5,3%
Depreciation & amortization	-44.718	-45.055	-0,7%
Operating profit EBIT	55.027	60.313	-8,8%
Financial results	-39.558	-42.101	-6,0%
Other results	-10.368	-5.540	n.a.
Profit before tax	5.101	12.672	-59,7%
Income taxes	-3.248	-4.890	-33,6%
Profit from continuing operations	1.853	7.782	-76,2%
Results from discontinued operations	-40	-3.052	n.a.
Profit / (Loss) for the year	1.813	4.730	-61,7%
One-off charges	-333	1.437	-123,2%
EBITDA normalized	100.078	103.931	-3,7%
EBITDA normalized / Net Sales	7,2%	7,5%	

- Stable top line with growth in several countries. Southern Europe still facing challenging consumption trends (Italy & Portugal). Outperformers remain in the Northern European region as well as USA
- Seasonal stronger meat costs inflation in 3Q13, affecting all business units
- Costs reduction measures continue having a strong positive impact on margins: “Other operating expenses” lower by €16 M
- Gross Margin /kg slightly lower (-0.3%). Absolute margins fall due to lower volumes
- Lower financial costs, with lower debt (amortization of €15M club deal in 9M13) and reinforced measures to optimise financial management

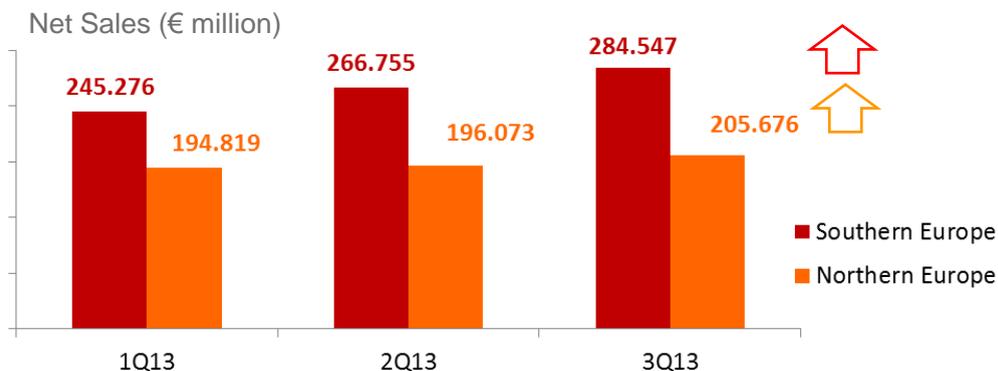
Profit and Loss Account 9M13

Sales by segments

- Improved trend in volumes performance in both Northern and Southern Europe. Nevertheless, Southern Europe continues being affected by tough market conditions in Italy and Portugal
- Improved trend in sales value in both, Northern and Southern Europe. Price increases more difficult in Southern Europe as consumption remains weak
- USA continues outperforming with healthy growth in volumes and NSV

YTD Tons (Thousand)	9M13	9M12	% Var.
Southern Europe	212.076	218.925	-3,1%
Northern Europe	82.237	83.613	-1,6%
Other	5.769	5.708	1,1%
Eliminations	-8.143	-10.822	
Total Sales (Tns)	291.939	297.424	-1,8%

YTD Net Sales (€ Million)	9M13	9M12	% Var.
Southern Europe	796.578	815.009	-2,3%
Northern Europe	596.568	591.199	0,9%
Other	41.970	39.706	5,7%
Eliminations	-44.172	-52.587	
Total Net Sales	1.390.944	1.393.327	-0,2%



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 9M13

Operating expenses

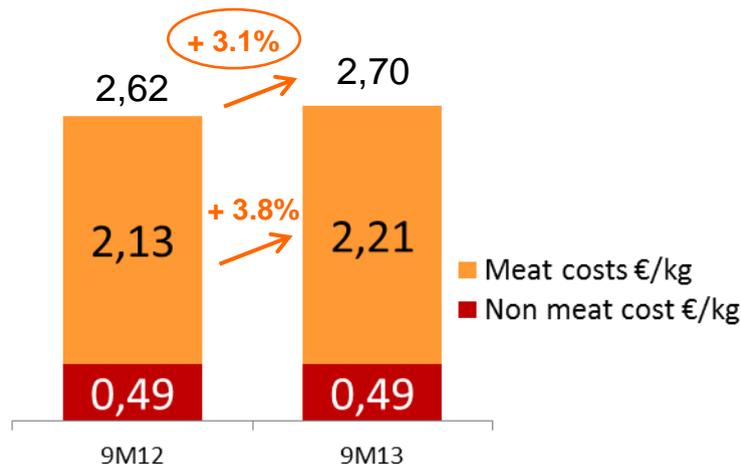
Operating expenses CFG

€ M	9M13	9M12	Var. %	var €M
Consumption of goods	-777.521	-757.709	2,6%	-19.812
Employee benefits expense	-241.908	-258.305	-6,3%	16.397
Other operating expenses	-281.416	-281.111	0,1%	-305
Total other operating expenses	-523.324	-539.416	-3,0%	16.092



- Material costs grow with higher raw materials inflation in 3Q in all markets

Material costs €/kg



- Reduction in “total other operating expenses”:
 - Lower personnel costs in all business units as a result of our cost cutting measures undertaken to improve margins
 - Other operating costs maintained despite higher manufacturing overheads, mostly energy and external services costs
 - MAP of € 37.4 million, below PY (€ 38.0 million in 9M12)

Cost cutting

Cost cutting measures driving EBITDA growth

2013

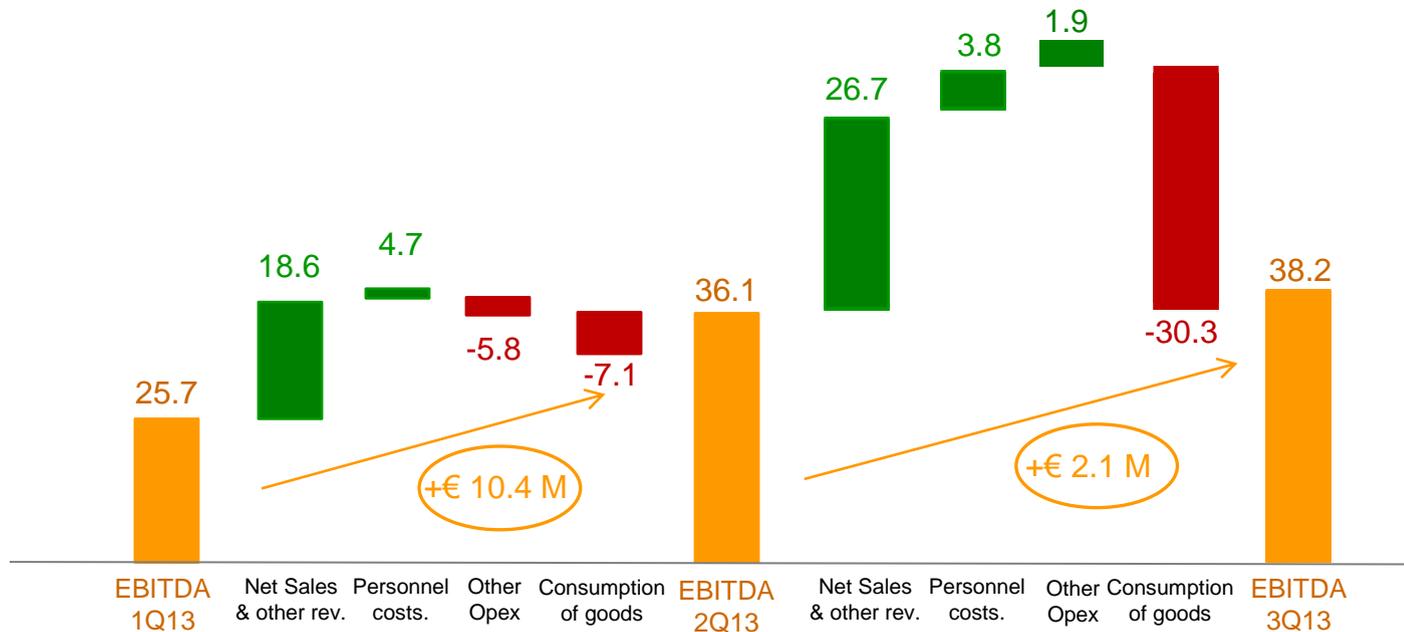
Profit & Loss Account CFG

€ M	1Q13	2Q13	3Q13
Net Sales Value	441.589	461.553	487.802
EBITDA reported	25.420	36.392	37.933
EBITDA normalized	25.745	36.113	38.220
EBITDA norm. / Net Sales	5,8%	7,8%	7,8%



Efficiency measures bearing fruit:

- “Other operating expenses” and personnel expenses decline in 3Q offsetting impact of higher raw material prices in “consumption of goods” (costs of goods sold)



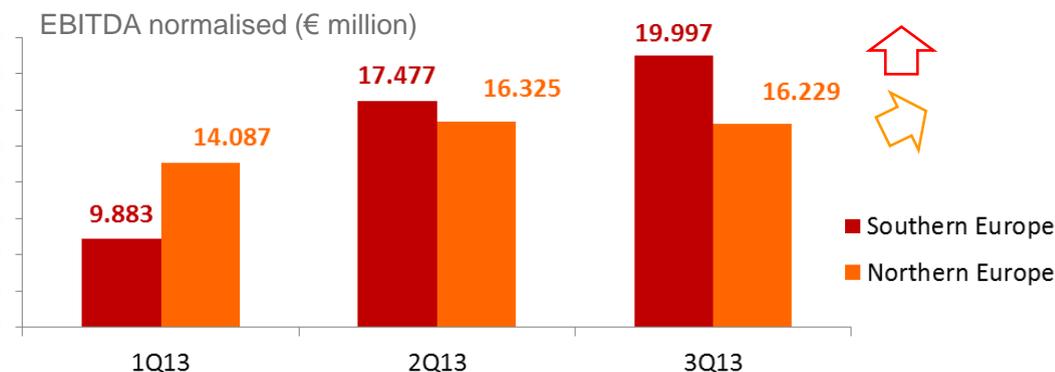
Profit and Loss Account 9M13

EBITDA normalized by segments

- EBITDA decline in Southern Europe affecting mostly Italy due to lower sales volumes, higher meat costs/kg and increased MAP investments. The latter aim to successfully reposition the product portfolio and improve in the medium/long-term
- Northern Europe benefiting from increased sales, lower impact of meat costs (France) and cost cutting initiatives
- USA (“Other”) continues benefiting from high growth in NSV of +5.7% which more than offset meat price inflation

YTD EBITDA Normalized(€ Million)	9M13	9M12	% Var.
Southern Europe	47.357	56.188	-15,7%
Northern Europe	46.641	43.643	6,9%
Other	6.080	4.100	48,3%
Eliminations	-	-	
Total EBITDA normalized	100.078	103.931	-3,7%

EBITDA Margin (%/Net Sales)	9M13	9M12	Var. bp
Southern Europe	5,9%	6,9%	-94,9
Northern Europe	7,8%	7,4%	43,6
Other	14,5%	10,3%	416,1
Total EBITDA Margin, normalized	7,2%	7,5%	-26,4



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

Cash Flow Generation 9M13

Cash Flow Statement CFG

million €	9M13	9M12	Var. %
Gross operating cash flow	98.865	101.770	-2,9%
Change in Working Capital	6.141	2.079	195,4%
Operating Cash Flow	105.006	103.849	1,1%
Interest payments	-26.528	-28.275	-6,2%
Provisions and other	-28.759	-18.415	56,2%
Payments for Income Tax	-7.643	-9.609	-20,5%
Other	121	3.385	-96,4%
Net Operating Cashflow	42.197	50.935	-17,2%

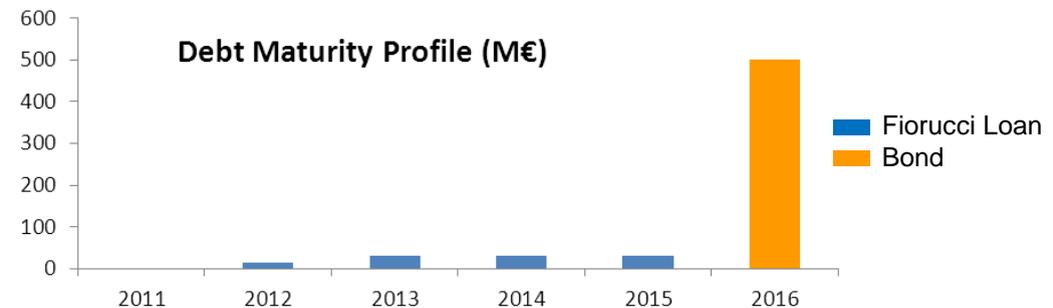
↑ Improved working capital

- Lower cash flow generation on reduced EBITDA
- Working capital positive on higher payables and lower receivables
- Lower interest and income tax payments
- Capex: € 46.8 M in line with investment program guidelines



Net Financial Debt

- The 9M13 **cash position** amounts to **€ 139 M**
- **€ 220 M** fully available committed bank lines, €50M more than in December 2012; plus €20M of other uncommitted bank lines
- Consequently, our overall **liquidity position** (cash + available bank lines) stands at **€ 360 M**, which is more than sufficient over time given the present debt structure
- Our **Net Financial Debt** amounts to **€ 473 M**, by € 17 million below 1H13
- The resulting **leverage ratio** (NFD /EBITDA LTM) is at 3.2x
- Comfortable debt repayment schedule; amortization of the bank facility with €15M semi-annual repayments until October 2015



Outlook 2013

- Top line showing stability in strategic markets, with power brands and growth platforms improving its growth trends. Italy and Portugal start to recover
- Important improvements in supply chain in 3Q13 as a result of our strategic plan deployment
- Cost reduction measures are bearing fruit and will continue having a positive impact on margins along the year
- Improved meat market conditions: grain prices decreasing from previous record highs, higher expected profitability in farms and lower demand from exports (Asia) are softening the pressure on meat inflation in 4Q13
- Cash flow generation benefiting from working capital improvement: which will continue to support further cash generation
- CFG will maintain a strong cash and liquidity position
- CFG maintains its target for the leverage ratio $\leq 3x$



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