CAMPOFRIO FOOD GROUP

ANNEX TO BOND REPORT FOR THE TWELVE MONTH PERIOD ENDED 31st DECEMBER 2014

This annex (the "Annex") to the 2014 bond report (the "Bond Report") may include projections and other "forward-looking" statements within the meaning of applicable securities laws. Any such projections or statements reflect the current views of Campofrío Food Group, S.A. about further events and/or financial performance. No assurances can be given that such events or performance will occur as projected, and actual results may differ materially from these projections.

This Annex shall not constitute an offer to sell or the solicitation of an offer to buy securities. Any securities referred to herein have not been and will not be registered under the U.S. Securities Act of 1933 and may not be offered and sold in the United States absent registration or an applicable exemption from the registration requirements of the U.S. Securities Act.

CONTENTS

FORWARD-LOOKING STATEMENTS

This Annex includes forward-looking statements within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this Annex, including, without limitation, those regarding our future financial position and results of operations, our strategy, plans, objectives, goals and targets, future developments in the markets in which we participate or are seeking to participate or anticipated regulatory changes in the markets in which we operate or intend to operate. In some cases, you can identify forward-looking statements by terminology such as “aim,” “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecast,” “guidance,” “intend,” “may,” “plan,” “potential,” “predict,” “projected,” “should,” or “will” or the negative of such terms or other comparable terminology.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and are based on numerous assumptions and that our actual results of operations, including our financial condition and liquidity and the development of the industry in which we operate, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this Annex. In addition, even if our results of operations, including our financial condition and liquidity and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this Annex, those results or developments may not be indicative of results or developments in subsequent periods. Important risks, uncertainties and other factors that could cause these differences include, but are not limited to:

- fluctuations in the commodity prices for livestock (primarily hogs), raw meat and grains;
- loss of reputation of our brands;
- outbreak of disease among or attributed to livestock;
- risks related to our competitive position;
- consumer preferences, disposable income and spending levels;
- our dependence on third-party suppliers for raw materials;
- perceived or real health risks relating to our products or the food industry generally;
- changes in environmental, tax and other applicable laws and regulations;
- the cost of compliance with health and safety regulations;
- the performance of our retail customers;
- the effects of potential consolidation and cooperation by customers and retailers;
- adverse changes in the markets for our products;
- risks associated with our international sales and operations;
- our ability to prevent labor disputes and work stoppages;
- the loss of certain of our senior management or key employees;
- the outcome of any pending or threatened litigation;

- our substantial leverage and debt service obligations;
- our ability to generate sufficient cash to service our debt and to control and finance our capital expenditures and operations;
- consequences of leverage, including as a result of adverse changes in credit markets that affect our ability to raise capital when needed;
- our relationship with our shareholders; and
- any delays, unexpected costs or other problems experienced with any current or future acquisitions or investments in joint ventures or with achieving expected savings and synergies.

We urge you to read the section of this Annex entitled "Risk Factors," as well as other sections of this Annex and the Bond Report for a more complete discussion of the factors that could affect our future performance and the markets in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Annex and the Bond Report may not occur. These forward-looking statements speak only as of the date on which the statements were made. We undertake no obligation to update or revise any forward-looking statement or risk factors, whether as a result of new information, future events or developments or otherwise.

CURRENCY PRESENTATION AND DEFINITIONS

In this Annex, all references to "euro," "EUR" or "€ "are to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time, and all references to "U.S. dollars," "USD" and "$" are to the lawful currency of the United States of America.

Definitions

Unless otherwise specified or the context requires otherwise in this Annex:

- references to "A-brands" refer to the following cross-category brands: *Campofrío*, *Navidul* and *Oscar Mayer* in Spain, *Campofrío* and *Nobre* in Portugal, *Aoste*, *Justin Bridou* and *Cochonou* in France, *Aoste* and *Marcassou* in Belgium, *Stegeman*, *Campofrío* and *Fiorucci* in The Netherlands, *Campofrío*, *Fiorucci* and *Aoste* in Germany, and *Fiorucci* in Italy. *Oscar Mayer* is a licensed brand;
- references to the "Bilateral Facilities" refer to the committed and uncommitted senior unsecured bilateral facilities with various Spanish and international banks. As of December 31, 2014, we had an aggregate amount of €233.2 million under our committed Bilateral Facilities and €16.0 million under our uncommitted Bilateral Facilities, of which €10.4 million was outstanding;
- references to "Campofrio Food Group," "Campofrio," "CFG," "we," "us," "Company," "Group" and "our" refer to Campofrío Food Group, S.A.;
- references to "Carnes Selectas" are to Carnes Selectas 2000, S.A.;
- references to "Change of Control Offer" refer to the Notice of Change of Control and Offer to Purchase for Cash Any and All of the Outstanding 8.250% Senior Notes due 2016, dated July 4, 2014, and distributed to holders of the Existing Notes in connection with the Takeover, pursuant to which €8,424,000 of the Existing Notes were purchased by Campofrio Food Group;

- references to the “Existing Notes” refer to our existing 8.250% Senior Notes due 2016;

- references to the “Factoring Facilities” refer to the non-recourse receivables factoring facilities arranged for under various factoring agreements between Campofrio Food Group and certain of its subsidiaries, as applicable, as assignor, and various financial institutions, as assignees. As of December 31, 2014, on an historical basis, we had an aggregate amount of €260.9 million under the Factoring Facilities, of which €170.5 million were used;

- references to “Groupe Smithfield” are to Groupe Smithfield Holdings S.L. together with its subsidiary Groupe Smithfield S.L. and its subsidiaries;

- references to “modern retail” refer to modern retail outlets such as supermarkets and hypermarkets, including discount retailers, and references to the “modern retail channel” refer to the distribution activities to and sales from such outlets;

- references to “out-of-home” refer to other sales outlets and points of sale such as fast food restaurants, hotels and catering businesses, small convenience stores (including petrol stations) and vending machines and kiosks, and references to the “out-of-home channel” refer to the distribution activities to and sales from such outlets;

- references to the “Senior Term Loan Facility” refers to the senior term loan facility agreement entered into on March 23, 2011 among, *inter alios*, Campofrio Food Group as borrower and the lenders party thereto, providing for up to €100.0 million of borrowing availability, which was fully drawn on April 4, 2011. As of December 31, 2014, on an historical basis, we had €30.0 million outstanding under the Senior Term Loan Facility;

- references to the “Takeover” refers to the joint cash tender offer (the “Joint Offer”) launched on December 23, 2013 by Sigma Alimentos S.A. de C.V. (“Sigma”), a wholly-owned subsidiary of Alfa, S.A.B. de C.V., and WH Group Limited (formerly Shuanghui International Holdings, Ltd.) (“WH Group”), through Sigma & WH Food Europe, S.L. (“Sigma & WH Europe”), for shares of the Company. As of December 31, 2014, Sigma and WH Group, through Sigma & WH Europe, together indirectly owned approximately 94.5% of our shares, comprised of previously owned shares and newly acquired shares. As a result of the Takeover, our primary beneficial shareholders are Sigma and WH Group;

- references to “traditional retail” refer to traditional retail outlets such as small retailers, butchers and delicatessens as well as small distributors which sell to such shops and references to the “traditional retail channel” refer to the distribution activities to and sales from such outlets; and

- references to “unbranded” refers to the (i) products that we market under the private labels of our retailer customers, representing 47.5% of unbranded sales for the year ended December 31, 2014, and (ii) the unbranded products that we market to food service specialist customers.

PRESENTATION OF INDUSTRY AND MARKET DATA

Certain market share information and other statements presented herein regarding our position relative to our competitors with respect to the manufacture or distribution of particular products are not based on published statistical data or information obtained from independent third parties, but reflect our best estimates. We have based these estimates upon information obtained from our customers, trade and business organizations and associations and other contacts in our industries.

In this Annex, we rely on and refer to information regarding our business and the market in which we operate and compete. The market data and certain economic and industry data and forecasts used in this Annex were obtained from internal surveys, market research, governmental and other publicly available information, independent industry publications and reports prepared by industry consultants. Planet Retail is used as a source of information on overall country economics and business information and trends and Food For Thought (FFT) Strategic Information Services is used as a source of market data with respect to products sold for final consumption in retail, food service and artisanal markets. Nielsen and Information Resources, Inc. are two consumer panels used throughout Europe to obtain market share information in the retail distribution channels that they cover. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We believe that these industry publications, surveys and forecasts are reliable but we have not independently verified them and cannot guarantee their accuracy or completeness.

Elsewhere in this Annex, statements regarding the European processed meat industry, our position in the industry, our market share and the market shares of various industry participants are based solely on our experience, our internal studies and estimates, and our own investigation of market conditions.

Processed meat describes fresh meat that has undergone further value-added production such as freezing, cooking, refrigeration, dehydration, salting or curing and includes chilled meat such as sausages, salamis, cooked meat, sliced meat and meat snacks. The processed meat market may be defined in a number of ways and competitors within the processed meat market may define the market differently. Certain industry sources referenced for purposes of this Annex segment processed meat products into (i) processed meat for cold consumption including cooked products for slicing, cured products for slicing and spreads; (ii) processed meat for hot consumption including sausages for hot consumption and raw cured products, mainly bacon, and (iii) meat preparations including modern meal substitutes (ready meals, convenient meal components, pies, pizzas, etc.). General descriptions of the European processed meat industry in the section entitled "Industry and Market Data" include processed meat for cold consumption, processed meat for hot consumption and meat preparations. For purposes of this Annex, including descriptions of our relative position in the industry and related market share information, we consider the processed meat market to include processed meat for cold consumption and sausages and bacon for hot consumption.

We cannot assure you that any of the assumptions underlying these statements are accurate or correctly reflect our position in the industry and none of our internal surveys or information have been verified by any independent sources. We make no representation or warranty as to the accuracy or completeness of this information. All of the information set forth in this Annex relating to the operations, financial results or market share of our competitors has been obtained from information made available to the public in such companies' publicly available reports and independent research, as well as from our experience, internal studies, estimates and investigation of market conditions. We have not independently verified this information and cannot guarantee its accuracy.

TRADEMARKS

We own or have rights to use the trademarks, service marks and trade names that we use in conjunction with the operation of our business. Some of the more important trademarks that we own, have rights to use or have prospective rights to use that appear in this Annex include "*Campofrío,*" "*Aoste,*" "*Nobre,*" "*Stegeman,*" "*Justin Bridou,*" "*Cochonou,*" "*Calixte,*" "*Caroli,*" "*César Moroni,*" "*Navidul,*" "*Fiorucci,*" "*Revilla,*" "*Marcassou,*" "*Bistro,*" "*Fricarnes,*" "*Oscar Mayer,*" "*Disney*" and "*Weight Watchers,*" each of which are registered by us or by our licensor in the appropriate jurisdictions where they are used and/or registered and/or pending registration in other jurisdictions, as appropriate to the needs of our relevant business. Each trademark, trade name or service mark of any other company appearing in this Annex is the property of their owners.

SUMMARY

Overview

We are the largest European producer of processed meat products based on net sales. Our products, which are sold under well established and leading brands or unbranded products for third parties, cover a broad range of processed meat categories, including cooked ham, dry sausages, dry ham, hot dogs, poultry products, cold cuts and pâtés. We were founded in 1944 in Burgos, Spain and have expanded to achieve a direct presence in seven European countries (Spain, France, Portugal, The Netherlands, Belgium, Italy and Germany) and in the United States; although we generate sales in approximately 80 countries worldwide through independent distributors. Notably, our acquisition of Cesare Fiorucci S.p.A. and its subsidiaries (the "Fiorucci Group") in April 2011 expanded our footprint in Italy and marked our entry into the U.S. market. Our market leading brands include *Campofrío* and *Navidul* in Spain, *Aoste, Justin Bridou* and *Cochonou* in France, *Nobre* in Portugal, *Marcassou* in Belgium, *Stegeman* in The Netherlands and *Fiorucci* in Italy. Our brand strategy focuses on developing key global categories, including dry sausages, cooked ham and poultry, at the European and regional level, while building the most effective cross-category growth platforms in snacking, health, heritage and affordability. Additionally, we seek to optimize the efficiency of our portfolio of brands and investment in marketing, advertising and promotions. For the year ended December 31, 2014, we had operating revenues and adjusted EBITDA of €1,953.0 million and €158.1 million, respectively. As of December 31, 2014, we had total assets of €2,238.3 million. We are headquartered in Madrid, Spain.

We are primarily engaged in the production and sale of processed meat products with a focus on cooked ham, dry sausages, dry ham, hot dogs and poultry products. We source meat primarily from reputable third-party suppliers which we monitor on a regular basis to ensure that high-quality and hygienic standards are maintained. The meat has been processed at one, or a combination, of our 27 facilities and the final products are sold directly to our customers. These customers include some of the largest retailers in Europe, such as Ahold, Aldi, Auchan, Carrefour, Delhaize, Dia, Eroski, Leclerc, Lidl and Sonae. We also sell our products directly or through wholesalers to a large number of food service customers and traditional retail outlets. As a result of our strong relationships with our retail and food specialist customers, we have also developed a robust unbranded business which accounted for 36% of our sales for the year ended December 31, 2014, of which our retail private label products accounted for 47.5%.

On December 23, 2013, Sigma Alimentos S.A. de C.V. ("Sigma"), a wholly-owned subsidiary of Alfa, S.A.B. de C.V. ("Alfa"), and WH Group Limited (formerly Shuanghui International Holdings, Ltd.) ("WH Group"), through Sigma & WH Food Europe, S.L. ("Sigma & WH Europe"), launched the Joint Offer for all the outstanding shares of the Company. Through a series of transactions from November 13, 2013 to June 10, 2014, Sigma and WH Group jointly purchased an approximate 93.8% stake in the Company for a total enterprise value, including net debt, of €1,154.3 million. As of December 31, 2014, Sigma and WH Group, through Sigma & WH Europe, together indirectly owned approximately 94.5% of our shares. We are now a fully consolidated subsidiary of Sigma and we believe that our interests are substantially aligned therewith. Prior to the Takeover, our shares were listed on the Madrid stock exchange and on the Barcelona stock exchange and traded under the symbol "CFG." As a result of the Takeover, since September 19, 2014, our shares have been delisted and we are now a privately held company.

Both of our shareholders are global leaders within the processed meat industries. Alfa is one of the largest industrial conglomerates in Mexico. In 2014, Alfa's turnover was $17.20 billion (approximately €12.95 billion). Alfa directly owns 100% of Sigma, a leader in the food market, offering processed meats, ready meals, cheese and dairy products in Mexico, Peru, the U.S., the Caribbean and Central America. Sigma's turnover in 2014 was $5.36 billion (approximately €4.03 billion). WH Group is the largest pork company in the world with leading market share in China, the U.S. and key markets in Europe. In China, the largest market in the world for pork meat, WH Group's extensive sales and distribution network covers all major sales channels with more than 2,100 distributors and 638,000 points of sales for fresh and packaged meat products. In 2013, WH Group recorded sales of more than $20.0 billion.

Our Strengths

Largest processed meat company in Europe based on net sales with leading market positions

We are the largest European producer of processed meat products based on net sales and are approximately two times larger than our next largest European competitor. We are the market leader in Spain, France and Portugal, and are the second largest producer in Belgium and The Netherlands based on net sales. As a result of our size, we are able to achieve economies of scale in sourcing and sales and distribution and therefore have a strategic cost advantage over our European peers. Based on our scale and our centralized sourcing of raw material on a Europe-wide basis, we believe we are also able to negotiate better terms with our suppliers. We leverage our scale to improve the competitiveness of our products and use profits to invest in our business and brands. For example, in April 2011, we acquired the Fiorucci Group, one of the leading companies in the Italian processed meat market. Additionally, the Fiorucci Group acquisition provided us with an opportunity to expand into the North American market through the Fiorucci Group's existing manufacturing facility in the U.S.

Broad portfolio of well-established international and local brands

Our market leading brands include *Campofrío* and *Navidul* in Spain, *Aoste, Justin Bridou* and *Cochonou* in France, *Nobre* in Portugal, *Marcassou* in Belgium, *Stegeman* in The Netherlands and *Fiorucci* in Italy. In addition to our company-owned brands, we have a number of well-recognized licensed brands, including *Oscar Mayer, Weight Watchers* and *Disney*. According to Millward Brown, the *Campofrío* brand in Spain achieved a 71% spontaneous consumer awareness level as of July 2014, and some of our other brands also enjoy strong consumer awareness. Additionally, according to a survey conducted by Agency Scope, *Campofrío* ranked second with respect to brand awareness in Spain in 2012 based on media presence. As a market leader with strong name recognition in our key markets, we believe our products are usually considered by retailers to be essential items to include on their shelves, which has allowed us to become a strategic partner with a number of our largest retail customers.

Resilient demand for our products supported by favorable consumption patterns and consumer preferences

Processed meat products have benefited from resilient consumer demand over recent years. Consumption for chilled processed meat in Western Europe has increased by an average annual growth rate of approximately 1% in volume between 2008 and 2013. We believe that our products are also well-positioned to benefit from general changes in consumption patterns in the markets in which we operate.

These trends include consumer preference towards convenience, as an increasing number of people have limited time to cook, and consumers' increased priority on healthy food options. We have been able to expand our product offerings in response to these consumer preferences for health, convenience and taste. For example, in 2013, we successfully launched our new *Cuida-t+* line in Spain, focused on low salt, low cholesterol and low fat products, including cooked ham, chicken and turkey, dry sausages and cold cuts. We also offer products sold under license from *Weight Watchers*, such as low salt products, products with less fat and vitamin enriched products. For the year ended December 31, 2014, sales in our healthy line grew by 16.3% compared to 2013. To address consumers' increasing focus on convenience, we have recreated our classic products in convenient formats including portable and snack size options with resealable packaging and sliced options which help to save time in preparation. As a result, sales from our snacking line increased by 6.8% in 2014 compared to 2013. Additionally, our heritage growth platform sales increased by 2.6% in 2014 compared to 2013. Our heritage product line focuses on genuine European products that are among the most valued by consumers worldwide, and includes our *Navidul* and *Aoste* premium brands in Spain and France, respectively. Finally, we saw a 13% increase in net sales in 2014 compared to 2013 with respect to our affordability growth platform. We have continued our expansion into ready meals and refrigerated pizzas, which have enjoyed strong consumer support. Finally, we produce products that maximize taste and enjoyment by using premium raw materials and traditional food preparation methods and meat processing techniques. Importantly, we are also able to capitalize on our knowledge of consumer habits and tastes to bring regional specialties to the other markets in which we operate and export, as demonstrated by the growing popularity of our Italian ham, Spanish cured ham, French sausage and Spanish chorizo outside of their respective domestic markets.

Established business model with balanced mix of branded and unbranded sales resulting in strong partnerships with large retailers

In addition to our well-balanced portfolio of products marketed under our family of brands, we market our products under the private labels of our retailer and food service customers through our unbranded business. For the year ended December 31, 2014, we derived 64% of our combined operating revenues from branded sales and 36% from unbranded sales, of which 47.5% corresponded to private label sales. This balanced mix between branded and unbranded revenues not only supports our factory capacity utilization rate and our profitability, but also helps us maintain strong sales volumes through economic cycles as customer demand shifts over time from one category to the other depending on economic conditions. Importantly, the combination of branded and unbranded production also enables us to further strengthen our partnerships with retailers, fostering Campofrio's position as a key supplier for the entire category. We have well-established, long-standing relationships with the major European retailers, including Ahold, Aldi, Auchan, Carrefour, Delhaize, Dia, Eroski, Leclerc, Lidl and Sonae.

Geographical, product and channel diversification leading to financial stability

Our products cover a broad range of processed meat categories. During the year ended December 31, 2014, our revenues by category were comprised of dry sausages (28%), dry ham (18%), cooked ham (13%), poultry products (9%), cooked products (8%), hot dogs (7%), convenience food (4%) and Other, including fresh meat and other processed products (12%). In terms of our business segments, Southern Europe represented 55% of revenues, Northern Europe represented 41%, and Other (including our U.S. operating activities) accounted for 3.6% for the year ended December 31, 2014. Additionally, 10% of our business segment sales correspond to our export business, as our sales are accounted for by country of origin. With products sold in approximately 80 countries, our geographic diversification makes us less exposed to the general economic conditions in any single country. We also benefit from strong demand for our products in our export markets, where the processed meat consumer penetration is generally lower than in the more mature European markets in which we have a direct presence. Our products reach our end consumer through a number of different distribution channels, including modern retail, traditional retail, export and food service channels. The traditional retail channel includes small retailers, butchers and delicatessens as well as small distributors which sell to such shops. The food service sales channel includes sales to food service operators such as McDonalds, small convenience stores (including petrol stations) and on-the-go channels (including vending machines and kiosks). In addition to our distribution channels, we benefit from a diverse retail customer base. For the year ended December 31, 2014, our top eight retail customers accounted for approximately 31% of net sales, with no single customer accounting for more than 8% of net sales. By selling our products through multiple distribution channels and reaching a diverse retail customer base, we mitigate our exposure to changes in consumer consumption and purchasing habits and have greater visibility on end-consumers' preferences. Such geographic, product and distribution channel diversification protects us from demand volatility and supports the stability of our financial results.

Integrated operating model delivering a competitive advantage

Since our merger with Groupe Smithfield in 2008, we have developed an ambitious and innovative operating model aimed at fully leveraging our European scale to cut costs and optimize asset efficiency and to foster an integrated approach to local markets. Through this integrated operating model, management believes that Campofrio benefits from a competitive advantage within the processed meat industry. In 2013, we completed the initial projects under our New Operating Model ("NOM") to optimize the utilization and productivity of our production plants and we continue to explore additional improvements. The overarching goal of the NOM is to transform Campofrio into a global company through the integration and coordination of our regional operating subsidiaries. We have developed a range of core products concentrated around a limited number of our cross-category A-brands, including, *Aoste*, *Cochonou*, *Campofrío*, *Fiorucci*, *Nobre* and *Stegeman*, and specific category leaders, including *Navidul* in dry ham, *Justin Bridou* in snacking, and *Oscar Mayer* in hot dogs. Such optimized product and brand portfolio at the group level is reflected across the entire value chain, reducing complexity and better allocating management, marketing and capital resources. This integrated approach is implemented in partnership with our local operating divisions to best capitalize on our local market knowledge and adapt to the taste and specific consumer preferences in a given country.

One of our first undertakings under the NOM was to change our production model from "all-purpose" to specialized and centralized plants, reducing the number of production lines and improving factory capacity utilization. For example, in Belgium, we have centralized slicing and packaging functions at our state of the art factory in Amando, Belgium, allowing us to close the slicing lines at our other Belgian factories. Currently, we are in the process of developing a centralized slicing and packaging factory in The Netherlands and centralized regional factories in France. We have also created specialized product factories, such as our poultry factory in Cornby, Belgium. In furtherance of the NOM, we continue to actively manage the performance of our assets, including the divestment or closing of non-performing factories, and to pursue an investment policy that is focused on high rate-of-return projects. We closed or sold four factories since 2013 (excluding the closure of our La Bureba facility in Burgos, Spain due to a fire in November 2014) and have shifted production to more efficient facilities. Finally, we have consolidated our support services, such as warehouses, food terminals, sourcing and IT systems, on a European-wide basis in order to better serve the business. For example, the centralization of raw material sourcing allows us to utilize the lowest cost suppliers across Europe and negotiate better terms through scale purchasing. The integration and centralization of our IT systems allows for better resource management, including human capital. In 2014, these initiatives resulted in a 18% increase in factory utilization, a 7.2% reduction in utilities expenses per kilo, a 7.1% increase in the efficiency of the equipment in our factories, a 6.7% improvement in the output (hourly production and standard workday) and a 1.7% increase in output compared to total raw materials purchased.

Attractive and resilient financial profile

Despite poor economic conditions in most of our key markets, with private consumption contracting in the period from 2011 to 2014 (based on the European Commission's estimates for 2014) by an average of by −1.2% in Spain, −1.6% in Italy and remaining relatively flat in France at +0.2%, our operating revenues demonstrated strong resilience and significant outperformance, growing by a CAGR of 0.6% between 2012 and 2014. Our profitability has also been stable over time with an adjusted EBITDA to net sales margin fluctuating between 7.7% to 8.2%, despite the significant volatility in price of pig carcasses over the same period driven by, among other factors, significant increases in grain prices and Chinese demand. As the integration of the NOM bears fruit, management believes that Campofrio is well-positioned to benefit from the expected increase in demand for processed meat generated by the more resilient economic conditions in the geographies in which we operate and from the more benign environment for pork, beef and poultry prices supported by significantly lower grain prices and the ongoing ban on exports to Russia. In addition, our cash generation over recent years has benefited from an efficient working capital management, evidenced by a reduction in working capital of €277.2 million from 2008 to 2013 and an additional reduction in 2014 of €14.4 million, for a total reduction in working capital of €291.6 million. We believe that we will further benefit from the reduction in capital expenditures and other cash outflows after the significant investments made over the last three years to implement our NOM.

Experienced senior management with significant industry knowledge

Our senior management, including the chief executive officers of our seven operating divisions, have significant experience and a proven track record of success in the European food and beverage industry. Our management collectively has over 128 years of experience in the processed meat industry. Members of our senior management have prior European food and beverage industry experience with, among others, Smithfield Foods, Unilever, Danish Crown, Kraft and Carrefour. We believe that our current management team is highly regarded in the industry and by our customers. In January 2014, Fernando Valdés joined us as CEO, having previously served as CEO for our Spain and Portugal divisions and as President of our Markets division. In addition, we have been a key player in the consolidation process of the processed meat industry, with a strong track record of successfully executing and integrating acquisitions, including our merger with Groupe Smithfield in 2008 and our acquisition of the Fiorucci Group in April 2011.

Our Strategy

Our goal is to maintain and strengthen our position as one of the leading European food companies with a reputation for quality and innovation and to continue to enhance our brand recognition and production efficiency. We intend to achieve this goal by pursuing the following strategies.

Reinforce leadership in our core markets

We strive to reinforce and further strengthen our leading positions in our core product segments and geographic markets through continued excellence in meat processing, use of premium quality products, brand management, innovation and sharing of strategies and best practices across our operating divisions. We intend to continue to invest in marketing our portfolio of brands, focusing on A-Brands to strengthen our core product portfolio as well as enabling those that enjoy significant growth opportunities to increase penetration in our key markets throughout Europe. We expect to maintain a focus on innovation through our research and development activities by exploring product platforms considered as growth accelerators, built upon the most recent consumer preferences including health and wellness, taste and convenience. We have most recently observed significant consumer focus on health, snacking and affordability and as a result have successfully adapted our product ranges to capture these trends. For example, due to the success of our health platform, which saw a growth in net sales of 16% in 2014, we plan on expanding our *Cuida-t+* line, launched in Spain in 2013, to additional European markets. We also intend to further strengthen our competitive positioning with our customers in the modern and traditional retail, food service and other sales channels by further focusing on efficient distribution, customer service and reliability. In order to achieve this goal, we will continue to maintain the flexibility to strategically align our branded and unbranded product mix to meet the needs of our customers. For the year ended December 31, 2014, we derived 64% of our combined operating revenues from branded sales and 36% from unbranded sales, of which 47.5% corresponded to private label sales. We have successfully leveraged our strong relationships with retailers, highly scalable production platform and low manufacturing cost base to address the needs of our private label customers and establish our position as a preferred supplier to our retail customers. Going forward, we believe that the strength of our unbranded products, including our private label products, will continue to complement our current focus on branded products, effectively maximizing our exposure to consumers across a wide range of demographic groups in our target markets.

Drive sales growth in new export markets and expand our position in Europe and North America through business development and partnerships with our new shareholders

We aim to grow organically by broadening the distribution of our regional European products outside of our core markets to all 28 European countries and to markets outside of Europe, including North and South America, Africa, Asia and Australia. The acquisition and successful integration of the Fiorucci Group in April 2011 strengthened our position as a leading European food producer, complemented our product range with the addition of Italian heritage brands to our existing Spanish and French heritage brands and provided us with a manufacturing base in the U.S. We believe that there are significant opportunities to increase our market share in Europe and to expand further into the North American market. For example, Campofrio products have recently been listed at Walmart and Kroger, the two largest supermarket chains in the U.S. We also believe that we can successfully leverage the global supply and distribution platforms of our new shareholders to introduce our product portfolio into new export markets such as China, South Korea, Japan and the Americas.

Continue to integrate our operating divisions to improve operational efficiencies and enhance profitability

We intend to further develop efficiency strategies in line with our NOM, which is focused on centralization and producing cost efficiencies through integration. To this end, we closed or sold four plants since 2013, excluding the closure of our La Bureba plant in Burgos, Spain due to a fire in November 2014. During this same time period, factory utilization improved by 18%. Further, the NOM establishes three organizational layers (local, regional and global), each of which involves a different level of decision-making within Campofrio. All levels are part of the same global system that responds to demands of the market and our clients. We believe that we may achieve ongoing savings, primarily from integration and centralization of sourcing, manufacturing efficiencies, the rationalization of processing across production plants and the rationalization of sales, distribution and administration functions, as well as the integration and elimination of redundant activities. We intend to create further cross-selling opportunities by developing cross-country brands. Positive sales performance and the reduction of operating costs will support our overall goal to increase our operating margin.

Additionally, while we believe the most significant benefit of Sigma and WH Group's ownership is the potential to deliver sales growth, we are also focused on identifying and implementing synergies across all aspects of our business as a result of the change of ownership. To achieve this goal, we have created a "Synergies Office" consisting of six working groups related to sales, finance and IT, legal, sourcing and supply, strategy and M&A and the U.S. market. Additionally, we have recently hired the former CFO of Sigma to lead the Synergies Office. Our objective is to benefit from the scale and reach of our shareholders in new markets, while maintaining our integrity as a leading standalone business. We believe that the creation of the Synergies Office will allow us to achieve certain cost and revenue synergies, including, among others, the streamlining of our supply chain logistics, the stronger bargaining power on sourcing activities and the sharing of know-how and best practices.

The Takeover

On December 23, 2013, Sigma, a wholly-owned subsidiary of Alfa, and WH Group, through Sigma & WH Europe, launched a joint cash tender offer for shares of the Company at €6.90 per share. Prior to the launch of the joint cash tender offer, WH Group acquired 37% of the Company's outstanding shares on September 26, 2013, through its acquisition of Smithfields Foods, Inc., and Sigma acquired approximately 45% of the Company's outstanding shares through a series of open market purchases during November 2013. Through a separate series of transactions from November 13, 2013 to June 10, 2014, Sigma and WH Group jointly purchased an approximate 93.8% stake in the Company, for a total enterprise value, including net debt, of €1,154.3 million. As of December 31, 2014, Sigma and WH Group, together indirectly owned 94.5% of our shares, through

Sigma & WH Europe, with Sigma and WH Group owning 58.1% and 37.4% of Sigma & WH Europe's outstanding shares, respectively.

As a result of the Takeover, since September 19, 2014, our shares have been delisted and we are now a privately held company. Previously, our shares were listed on the Madrid stock exchange and on the Barcelona stock exchange and traded under the symbol "CFG."

Recent Developments

Burgos Plant Incident

On November 16, 2014, a fire occurred at our Burgos, Spain meat processing plant. Emergency response personnel were able to extinguish the fire with no injuries or fatalities to either our staff or emergency responders. The incident resulted in the complete destruction of our La Bureba plant, which, prior to the incident, employed 894 employees and had annual production of approximately 61,700 tons, primarily consisting of cooked ham, poultry and dry sausages products. In response to the Burgos fire, and in an effort to minimize the impact on our ongoing operations, we promptly implemented a comprehensive recovery plan. As part of this plan, we transferred approximately 40% of displaced production throughout our extensive network of processing facilities, both in Spain and throughout Europe, and reallocated approximately 60% to third-party processors outside of the Campofrio Food Group. We also reassigned 120 employees from the Burgos plant to our other processing facilities. The remaining 774 employees were included in a Temporary Suspension of Employment Regulatory Program ("ERTE") until November 2016. Of those 774 employees, we have been able to reallocate 170, while 33 have finalized their contractual relationship with us by term of contract, retirement or employment with other companies. Currently, only 571 employees remain under the ERTE.

We believe that we have adequate insurance coverage for property damage and business interruption, which we expect to significantly mitigate the impacts derived from this incident, including costs associated with rebuilding the Burgos plant and with the recovery plan. As of December 31, 2014, we had received €71.6 million as advanced payments (net of deductibles) from our insurers, and we received an additional €2.25 million in January 2015. For the year ended December 31, 2014, the Burgos fire resulted in a total loss of €76.7 million, including a non-cash €13.5 million write- off of inventory and a non-cash €52.9 million loss in fixed assets. In addition to this, we have recognized income for a total amount of €102.0 million, including €99.1 million that is considered as virtually certain compensation for the loss, resulting in a net income of €25.2 million. For a better understanding of the effects, the negative and positive accounting effects of the fire described above have been recognized in "Other extraordinary income and expenses-net" in the consolidated income statement for 2014.

Financière de la Charcuterie J.V. S.à r.l.

In March 2012, we reached an agreement with Foxlease Food to set up a joint venture for Financière de la Charcuterie J.V. S.à r.l. We currently own 49% of the joint venture, with Foxlease Food owning the remaining 51%. In December 2014, the joint venture, through a wholly-owned subsidiary, Jean Caby, S.A.S., entered into an asset sale agreement with LA Lampaulaise des Salaisons and SCI Roch Aouren, two companies indirectly wholly-owned by Mrs. Monique Piffaut, relating to the sale of certain assets for the transfer of the businesses of Jean Caby, S.A.S. located in Landivisiau and Quimper, France. Mrs. Monique Piffaut also owns Financière Turenne Lafayette, a French ready-made meals and food sector company. The effective transfer of assets took place on the January 19, 2015, and the agreement is expected to be formally closed in March 2015.

Change of Control Offer

As a result of the Takeover, on July 4, 2014, we issued the Change of Control Offer to purchase for cash any and all of our outstanding Existing Notes at a purchase price of €1,010 per €1,000 principal amount of the Existing Notes tendered. Pursuant to the Change of Control Offer, we accepted for repurchase €8,424,000, or 1.7%, of the Existing Notes.

Principal Shareholders

Our principal shareholders are Alfa, which through its wholly-owned subsidiaries, Sigma and Sigma Alimentos Exterior S.L.U. ("Sigma Exterior"), indirectly beneficially owns 57.5% of our outstanding shares, and WH Group, which indirectly beneficially owns 37.0% of our outstanding shares, through our direct parent, Sigma & WH Europe.

Alfa is one of the largest industrial conglomerates in Mexico, with over 100 years of history and 61,000 employees. Alfa includes five companies in the petrochemical and hydrocarbon sectors, vehicle components, IT and meat and dairy products. In 2014, Alfa's turnover was $17.20 billion (approximately €12.95 billion). Alfa directly owns 100% of Sigma, which is a leader in the food market, offering processed meats, ready meals, cheese and dairy products in Mexico, Peru, the U.S., the Caribbean and Central America. Sigma operates 41 production plants and 136 distribution centers, and has over 36,000 employees. Sigma's turnover in 2014 was $5.36 billion (approximately €4.03 billion). Both Alfa and Sigma are investment grade-rated companies.

WH Group is the largest pork company in the world with leading market share in China, the U.S. and key markets in Europe. WH Group owns a number of well-recognized and trusted brands, with global market leadership in all key segments of the pork value chain, including packaged meats, fresh pork and hog production. WH Group is a majority shareholder in Henan Shuanghui Investment & Development Co., Ltd., China's largest meat processing business, and owns U.S.-based Smithfield Foods, Inc., a global food company. In 2013, WH Group recorded sales of more than $20 billion, employing approximately 73,000 workers in China and 47,000 in the U.S. (Smithfield). China is the world's largest and fastest-growing market for pork meat, and WH Group's extensive sales and distribution network covers all major sales channels in China with more than 2,100 distributors and 638,000 points of sales for packaged meat products.

RISK FACTORS

Risks Relating to Our Business and Industry

Our operations are affected by fluctuations in the prices for livestock (primarily hogs), raw meat and the grains used to feed livestock.

We are dependent on the cost and supply of livestock (primarily hogs), which are in turn affected by the cost of feed ingredients. Separately, the selling price of our products and competing protein products (i.e. beef and poultry) are determined by constantly changing and volatile market forces of supply and demand as well as other factors over which we have little or no control.

These other factors include:

- general economic conditions;
- changing geopolitical situations, embargos and threats;
- weather, including conditions and diseases that impact the availability and pricing of the grains used to feed livestock;

- competing demand for the grains used to feed livestock that may also be used to manufacture ethanol or other alternative fuels;
- energy prices, including the effect of changes in energy prices on our transportation costs;
- import and export restrictions such as trade barriers resulting from, among other things, health concerns;
- livestock disease;
- environmental and conservation regulations; and
- fluctuations in foreign currency exchange rates, notably euro/U.S. dollar, and the resulting impact on sales to traditional importing countries, such as Russia, China, Japan and South Korea.

Meat costs, predominantly pork meat, constituted 47% of our combined net sales for the year ended December 31, 2014. The price of pork meat in 2014 was above the European average based on the last eight years. The difference ranged from +2% in Northern Europe and +7% in Southern Europe.

Hog prices and pork carcass prices fluctuate in relation to the supply of hogs on the market, which are largely dependent on the fluctuations of commodity prices for grains and other feed ingredients. For example, our 2014 results of operations were positively impacted by lower feed and feed ingredient costs which slightly decreased hog raising costs to €1.46 per kg in 2014 from €1.47 per kg on average over the last five years, a decrease of approximately 1%.

We purchase substantially all of our hogs and pork from suppliers with whom we have long-term established relationships, with the price set by the prevailing weekly spot prices for hogs at the time that we execute purchase orders. Unfortunately, unlike in the United States, Europe does not have a sufficiently liquid futures market or other market through which price guarantees for carcasses or pork cuts can be carried out, which makes our raw material price risks difficult to hedge. We manage our exposure to pork raw material prices in a number of ways. First and foremost, nearly two-thirds of our business is derived from sales from our leading brands, and ultimately, we decide on pricing strategies. Additionally, some of our customer contracts contain meat-cost indexed price clauses, which result in a direct pass through of pork raw material price variations to our customers. We manage the balance of our exposure by actively working with our customers to revise product prices on a recurrent basis. In addition, when possible, we also enter into longer term contracts with our meat suppliers with prices agreed over a certain period of time. Historically, we have generally been able to pass through our meat cost increases to customers such that our price increases are covered within six to twelve months, however in the recent macroeconomic environment, this has been more challenging. We may be unable to pass through any future meat cost increases to customers. Any failure to pass-through such costs could have a material adverse effect on our business, financial condition and results of operations.

Our brand reputation and intellectual property rights are key to our business.

In 2014, 64% of our revenues were derived from our branded products. Our brand names are a key asset of our business and maintaining the reputation of our brands is vital to our success.

Our current principal trademarks are registered in the European Union and relevant countries in which we use such trademarks. While we intend to enforce our trademark rights against infringement by third parties, we may be unable to establish and protect our trademark rights, prevent imitation of our products by others and prevent others from seeking to block sales of our products which violate their trademarks and proprietary rights. If a competitor were to infringe on our trademarks, enforcing our rights would likely be costly and would divert funds and resources that would otherwise be used to operate our business. Additionally, our brands may be subject to challenge and courts may place certain limits on our ability to register additional brands. Loss of reputation could have a material adverse effect on our business, financial condition and results of operations.

Outbreaks of disease among or attributed to livestock can significantly affect production, the supply of raw materials, demand for our products and our business.

We take precautions to ensure that our processing plants and other facilities operate in a sanitary manner. Nevertheless, we are subject to risks associated with the outbreak of disease in pork and poultry flocks, including Porcine Epidemic Diarrhea Virus (PEDv), Porcine Circovirus 2, African Swine Fever (ASF), Avian Influenza and Brucella suis, amongst others. For example, the recent outbreak of PEDv resulted in a decrease in supply and a corresponding increase in pig carcass prices in the U.S., significantly affecting the cost of pig carcasses in our U.S. markets. While the World Organization for Animal Health and other regulatory and scientific bodies have confirmed that humans cannot contract ASF from eating cooked pork meat or pork products, regardless of whether the pigs used in such products were infected with ASF, there has been substantial publicity regarding the recent ASF outbreak in Lithuania, Poland and Latvia. Such publicity may negatively impact consumer demand for pork meat products. Livestock health problems could increase the cost of production, adversely impact the supply of raw materials and reduce profit margins. Additionally, any outbreak of disease among, or attributed to, livestock could reduce consumer confidence in the meat products affected by the particular disease, generate adverse publicity and result in the imposition of product recalls or import or export restrictions.

We may experience additional occurrences of disease in the future. Disease can reduce the number of offspring produced, hamper the growth of livestock to finished size, require expensive vaccination programs or, in some cases, the destruction of infected livestock, all of which could adversely affect our production or ability to sell or export our products and result in increased costs. As a result of such events, from time to time, we may have to employ our crisis protocols such as product tracking and recall measures. Adverse publicity concerning any disease or health concern could also cause customers to lose confidence in the safety and quality of our food products, particularly our branded pork products, which could have a material adverse effect on our business, financial condition and results of operations.

Outbreaks of disease among or attributed to livestock also may have indirect consequences that could have a material adverse effect on our business, financial condition and results of operations. For example, past outbreaks of Avian Influenza in various parts of the world reduced the global demand for poultry and thus created a temporary surplus of poultry. This poultry surplus placed downward pressure on poultry prices which in turn reduced the price of other meat, including pork. Although poultry contributed only 9% of our revenues, pricing pressure created by past Avian Influenza outbreaks affected our profits in several product categories.

We operate in a highly competitive industry.

The processed meat industry and the markets for our products are highly competitive. Many factors influence our competitive position, including our operating efficiency and operating rates and the availability, quality and cost of raw materials and labor. In local markets, producers of specialty products are able to price their products below our price point due to their limited product range and organizational structure, threatening our ability to grow in these markets. Additionally, in line with a current trend toward vertical integration of the fresh meat and processed meat industries, certain European fresh meat operators, including Regis Food Technology, Ltd., have completed several acquisitions in the processed meat sector and may leverage their competitive position in a related business to become direct competitors. Unbranded products, including private label products, are increasingly available in the market, expanding into new product segments coupled with aggressive pricing strategies. Our current or potential competitors may develop products of a comparable or superior quality to ours, or adapt more quickly than we do to evolving consumer preferences or market trends. Increased competition may also lead to price wars, counterfeit products or negative brand advertising, all of which could have a material adverse effect on our business, financial condition and results of operations.

Changing consumer preferences may materially affect our future sales.

Our success depends on maintaining consumer demand for our products by adapting to the changing needs and preferences of our customers. Consumer preferences may shift in the future because of factors that are difficult to predict, including changes in demographic trends, governmental regulations, weather conditions or changes in economic conditions.

We market our products in several different geographic regions and countries, and hope to increase the scope of our export business. Each region and country has its own tastes and preferences. If we are unable to effectively produce and market products that meet the changing preferences of consumers in each of our markets, our operating results may be adversely impacted.

There may be a shift in consumer preferences and the consumption of certain food products resulting in an increase or decrease in the consumption of processed meat products as a whole. In addition, there could be further shifts in consumer preferences within the food industry such that one category of food (e.g., dry ham, hot dogs, cold cuts) becomes more popular than another. Changes in consumer preferences also influence the retail space allotted to products. If general demand for processed meat product in our geographic markets falls substantially below current levels, we may be allotted less retail space and experience lower consumer demand which could adversely affect our business, financial condition and results of operations. We regularly monitor consumer tastes and preferences in all of our core markets and devote significant resources to developing, renovating and marketing new products, as well as to expanding and improving existing product lines. If we are unable to continue developing an adequate range of new products to ensure our products are relevant to consumer tastes and preferences, the attractiveness of our brands could be diminished and cause us to become less competitive. However, there are inherent market risks associated with new product or packaging offerings, including uncertainties about retail acceptance.

We may incur significant costs related to developing and marketing new products or expanding existing product lines and cannot guarantee their profitability or popularity. We may be unable to accurately predict, identify and interpret the changing tastes and dietary habits of our consumers, which would negatively impact our volume of sales or profitability anticipated. Any decline in the popularity of processed meats could have a significant impact on our customers and could have a material adverse effect on our business, financial condition and results of operations.

We depend on third-party suppliers for our raw meat material needs.

We rely on third-party suppliers to supply us with our meat raw material needs, comprising approximately 87% of our total purchases of raw materials. We purchase approximately 23% of our raw materials from our three largest suppliers and approximately 40% from our top 10 suppliers. A majority of our pork meat and other raw materials are purchased from suppliers with whom we have long-term established relationships, with the price set by the prevailing weekly spot prices at the time that we execute purchase orders. We also purchase a portion of our raw materials on the open market. For our fresh meat operations, we contract primarily with independent breeders of live animals for our production purposes. In some cases, for more specific production processes, we contract carcasses for de-boning. Therefore, if we do not attract and maintain contracts with our breeders, or maintain relationships with independent producers, our production operations could be negatively affected. Further, we could be adversely affected if the operations of any of our suppliers were interrupted or if our suppliers terminated their arrangements with us before we arranged alternative suppliers.

Any perceived or real health risks related to our products or the food industry generally could adversely affect our ability to sell our products.

We are subject to risks affecting the food industry generally, including risks posed by the following:

- food spoilage or food contamination,
- evolving consumer preferences, trends, boycotts and nutritional and health-related concerns,
- consumer product liability claims,
- product tampering,
- the possible unavailability and expense of product liability insurance, and
- the potential cost and disruption of a product recall.

Adverse publicity concerning any perceived or real health risk associated with our products could also cause customers to lose confidence in the safety and quality of our food products, which could adversely affect our ability to sell our products, particularly our branded products. We could also be adversely affected by perceived or real health risks associated with similar products produced by others to the extent such risks cause customers to lose confidence in the safety and quality of such products generally and, therefore, lead customers to opt for other protein options that are perceived as being safer.

Our products are susceptible to contamination by disease producing organisms, or pathogens, such as Listeria monocytogenes, Salmonella, Campylobacter and generic E. coli. Because these pathogens are generally found in the environment, there is a risk that they, as a result of food processing, could be present in our products. In the past, our products have been affected by the presence of antibiotic residues in Belgian pork. We have systems in place designed to monitor food safety risks throughout all stages of our process. However, even when our systems are working effectively, risks related to food safety remain. Our testing of the hogs we purchase may not reveal all contamination or pathogens. These pathogens can also be introduced to our products as a result of improper handling at the food service or consumer level. In addition to the risks caused by our processing operations and the subsequent handling of the products, we may encounter the same risks if any third party tampers with our products. Current regulation could require us to recall certain of our products in the event of contamination or adverse test results. Any product contamination also could subject us to product liability claims, adverse publicity and government scrutiny, investigation or intervention, resulting in increased costs and decreased sales as customers lose confidence in the safety and quality of our food products. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

Environmental regulation and related litigation and commitments could have a material adverse effect on us.

Our past and present business operations and properties are subject to extensive and increasingly stringent laws and regulations pertaining to protection of the environment, including among others:

- the discharge of materials into the environment,
- the handling and disposition of wastes (including solid and hazardous wastes),

- remediation of contaminated sites,
- the emission of greenhouse gases, and
- climate change.

Such laws and regulations require us to obtain regulatory licenses, permits and other approvals and comply with the requirements of such licenses, permits and other approvals. Governmental authorities may not grant us these regulatory licenses, permits and approvals, and such laws and regulations may change or be interpreted in a manner that increases our costs of compliance or materially or adversely affects our operations or plants or our plans for the companies in which we have an investment or to which we provide our services.

We have incurred, and will continue to incur, capital and operating expenditures to comply with specific environmental laws and regulations. We cannot predict the amounts of any capital expenditures or any increases in operating costs or other expenses that we may incur to comply with applicable environmental, or other regulatory, requirements, or whether these costs can be passed on to customers through product price increases.

We believe that we are currently in material compliance with all applicable regulations, including those governing the environment. In the future we may not continue to be in compliance or be able to avoid material fines, penalties, sanctions and expenses associated with compliance issues in the future. Violation of such regulations may give rise to significant liability, including fines, damages, fees and expenses, site closures, negative publicity and reputational harm. Generally, relevant governmental authorities are empowered to clean up and remediate releases of environmental damage and to charge the costs of such remediation and cleanup to the owners or occupiers of the property, the persons responsible for the release and environmental damage, the producer of the contaminant and other parties, or to direct the responsible parties to take such action. These governmental authorities may also impose a tax or other liens on the responsible parties to secure the parties' reimbursement obligations. Environmental legislation may also require any environmental damage, regardless of whether it is as a result of a breach of regulation or not, to be remediated by the damaging party. The nature of our activities implies that we may cause environmental damage even if we abide by applicable laws and regulations, and, as a result, may have to remediate any damage we have caused, which may result in unforeseen additional costs with the consequent impact on our margins and results of operations. Citizen groups or other third parties may also have standing to enforce certain requirements applicable to us. Natural disasters, such as flooding and hurricanes, can cause the discharge of effluents or other regulated materials into the environment, potentially resulting in our being subject to liability claims and further governmental regulation.

Additionally, environmental regulation has changed rapidly in recent years, and it is possible that we will be subject to even more stringent environmental standards in the future. Furthermore, the companies we have acquired or may acquire, and their assets, could have environmental liabilities or be subject to risks of which we did not or do not become aware through our due diligence investigations that could have a material adverse effect on our business, financial condition and results of operations.

We are subject to extensive regulations and require various licenses and permits to operate our business.

Our manufacturing facilities, transportation vehicles and products, including the processing, packaging, storage, distribution, advertising and labelling of our products, are subject to extensive regional, national and EU laws and regulations in the food safety area, including constant government inspections and governmental food processing controls. In accordance with EU laws and regulations, we are required to maintain various licenses and permits in order to operate our business, including, without limitation, a slaughtering permit in respect of each of our fresh pork production facilities and a permit for production of commercial products in respect of each of our processed meat factories. The loss of or failure to obtain necessary permits and registrations could delay or prevent us from meeting current product demand, introducing new products, building new facilities or acquiring new businesses and could have a material adverse effect on our business, financial condition and results of operations. We are required to comply with applicable hygiene and food safety standards in relation to our production processes. If we are found to be out of compliance with applicable laws and regulations, particularly if it relates to or compromises food safety, we could be subject to civil remedies, including fines, injunctions, recalls or asset seizures, as well as potential criminal sanctions, any of which could have an adverse effect on our financial results. In addition, future material changes in food safety regulations could result in increased operating costs or could be required to be implemented on schedules that cannot be met without interruptions in our operations.

We rely on the performance of our retailer customers for the success of our sales, and should they perform poorly or give priority to our competitors' products, our sales performance could be materially and adversely affected.

For the year ended December 31, 2014, we derived 81% of our revenues from retail sales and derived our remaining revenues from exports and other food service sales. The food service sales channel includes sales to food service operators such as McDonalds, small convenience stores (including petrol stations) and on-the-go channels (including vending machines and kiosks). We sell our products to modern retailers such as supermarkets and hypermarkets and to traditional retailers such as butchers and delicatessens, which in turn sell the products to end consumers. Any significant deterioration in the sales performance of our customers could adversely affect the performance of our products. Furthermore, our retail customers also carry products that directly compete with our products for retail space and consumer purchases. There is a risk, especially in the private label market, that our retail customers may give higher priority to products of, or form alliances with, our competitors. If our retail customers do not continue to purchase our products, or provide our products with similar levels of promotional support, our sales performance could be adversely affected. Further, retail consolidation has led to heightened competition and price pressure in the fragmented processed meat industry, increasing the importance of discount systems and private label sales.

We are susceptible to economic trends, and deterioration of economic conditions could adversely impact our business.

A significant economic downturn could have a material adverse effect on our business. Continued concerns about the systemic impact of potential long- term and wide-spread recession, energy costs, the availability and cost of credit, diminished business and consumer confidence and increased persistent unemployment in Europe have contributed to increased market volatility and diminished expectations for western and emerging economies, including the jurisdictions in which we operate.

Although our volumes of meat sales have been broadly consistent over recent periods, our business has been adversely affected by changes in national or global economic conditions, including inflation and deflation, interest rates, availability of capital markets, consumer spending rates, energy availability and costs (including fuel surcharges) and the effects of governmental initiatives to manage economic conditions. Any such changes could adversely affect the demand for our products and particularly the demand for our branded products as consumers become increasingly price sensitive and switch to private label or retailer brand products or purchase from deep discounters. Such changes could also adversely affect the cost of our raw materials, cooking ingredients and packaging materials, thereby negatively affecting our financial results.

Disruptions and instability in credit and other financial markets and deterioration of national and global economic conditions, could, among other things:

- make it more difficult or costly for us to obtain financing for our operations or investments or to refinance our debt in the future,

- cause our lenders to depart from prior credit industry practice and make more difficult or expensive the granting of any technical or other waivers under our debt facilities, to the extent we may seek them in the future,

- impair the financial condition of some of our customers or suppliers, thereby increasing customer bad debts or non-performance by suppliers negatively impacting our results of operations,

- negatively impact global demand for branded and premium protein products, which could result in a reduction of our branded sales, operating income and cash flows,

- cause an increasing transfer to private label or retailer brands and the cheapest product categories, and

- decrease the value of our investments in equity and debt securities, including our company-owned life insurance and pension plan assets, which could result in higher pension cost and statutorily mandated funding requirements.

Although our strategy is targeted at offsetting or taking advantage of these market trends as appropriate, such trends could have a material adverse effect on our business, financial condition and results of operations.

We rely on a relatively small number of retailer customers for a large part of our sales in certain of our markets and the continued consolidation of customers could negatively impact our business.

Our three largest customers represented approximately 18% of net sales and our eight largest customers represented approximately 31% of net sales, in each case for the year ended December 31, 2014. In all of our main markets, more than half of the distribution of processed meat is through retail distribution channels, with modern and traditional retail distribution together as high as 90.5% in The Netherlands. Although we have strong commercial ties built over several decades with our major retailer customers, we do not have long-term sales agreements or other contractual assurances as to future sales to these major customers. In addition, continued consolidation within the retail industry, including among supermarkets, hypermarkets and food distributors, has resulted in an increasingly concentrated retail base and increased our credit exposure to certain customers. Our business could be materially adversely affected and suffer significant setbacks in sales and operating income if our larger customers' plans, markets, and/or financial condition should change significantly. For example, French retailers Système U and Auchan and Intermarché and Casino recently entered into a purchasing cooperation agreement, the goal of which is to combine their purchasing power with respect to national and international brands. Such collaborative partnerships may affect our sales to our customers.

We may not be able to manage growth in our business.

We intend to continue to participate in the consolidation of the processed meat market and to expand our existing businesses on a selective basis into new products and new geographic markets. Growth can place significant strain on our management resources and financial and accounting control systems. Our management needs to identify appropriate investments and subsequently integrate, train and manage increased numbers of employees as we acquire new companies or assets. Unprofitable investments or an inability to integrate or manage new investments could adversely affect our operating results. Any future acquisitions or investments in joint ventures also will involve financial, managerial and operational challenges, including:

- diversion of management attention from other business concerns,
- difficulty with integrating businesses, operations, personnel and financial and other systems,
- difficulty in obtaining regulatory approvals and lack of experience in operating in new geographical markets,
- increased levels of debt potentially leading to associated reduction in ratings of our debt securities and adverse impact on our various financial ratios,
- potential loss of key employees and customers,
- assumption of and exposure to unknown or contingent liabilities of acquired businesses,
- potential disputes with the sellers, and
- for our investments, potential lack of common business goals and strategies with, and cooperation of, our joint venture partners.

In addition, we could experience financial or other setbacks if any of the businesses that we have acquired or may acquire in the future have problems of which we are not aware or liabilities that exceed expectations. Additionally we may decide or be required to make cash payments to fund a joint venture investment or to make cash payments to a joint venture partner. We may not successfully overcome problems encountered in connection with potential acquisitions, completed acquisitions, joint venture investments or other expansion, and such problems could have a material adverse effect on our business, financial condition and results of operations.

We are subject to risks associated with our international sales and operations.

We conduct operations in Spain, France, Portugal, The Netherlands, Belgium, Italy, Germany and the United States and export our products to approximately 80 countries worldwide. We expect that our operations will continue to expand in these countries and globally. Accordingly, we face a number of risks associated with operating in and distributing to a number of different countries, particularly countries outside of the European Union that may have a material adverse effect on our business, financial condition and results of operations and cash flow. For the three years ended December 31, 2012, 2013 and 2014, operating revenue attributable to our export business as a percentage of our total revenue was 9.8%, 9.8% and 10.0%, respectively. Our exports are calculated net of intercompany eliminations.

Risks associated with our international sales and operations include, among others:

- general economic and political conditions,
- imposition of quotas, trade barriers and other trade protection measures imposed by foreign countries,
- the closing of borders by foreign countries to the import of our products due to animal disease or other perceived health or safety issues,
- difficulties and costs associated with complying with, and enforcing remedies under, a wide variety of complex domestic and international laws, treaties and regulations,
- different legal and regulatory structures and unexpected changes in legal and regulatory policy, environments and risk profiles,

- increased risk of fraud and political corruption,
- tax rates that may exceed those in Spain and earnings that may be subject to withholding requirements and incremental taxes upon repatriation,
- potentially negative consequences from changes in tax laws, and
- distribution costs, disruptions in shipping or reduced availability of freight transportation.

Occurrence of any of these events in the markets where we operate or in other markets we are developing could jeopardize or limit our ability to transact business in those markets and could have a material adverse effect on our business, financial condition and results of operations.

Our performance depends on favorable labor relations with our employees.

As of December 31, 2014, we had 7,123 employees, the majority of whom are covered by collective bargaining agreements or are members of labor unions. Our operations depend on the availability, retention and relative costs of labor and maintaining satisfactory relations with employees and the labor unions. Labor relations issues arise from time to time, including issues in connection with union efforts to represent employees at our plants and with the negotiation of new collective bargaining agreements as well as issues associated with factory closures and restructurings. If we fail to maintain satisfactory relations with our employees or with the unions, we may experience labor strikes, work stoppages or other labor disputes. Negotiation of collective bargaining agreements also could result in higher ongoing labor costs. Any significant increase in labor costs, deterioration of employee relations, slowdowns or work stoppages at any of our locations, whether due to union activities, employee turnover or otherwise, could have a material adverse effect on our business, financial condition and results of operations.

We depend on our senior management.

Our success depends in part on the continued service of our key senior management, in particular, Mr. Fernando Valdés Bueno, our Chief Executive Officer, Mr. Paulo Soares, our Chief Finance and IST Officer, and our other executives. In addition, our future growth and success depends on our ability to attract, train, retain and motivate skilled managerial, sales, administrative, operating and professional and technical personnel. The loss of one or more of our key senior executives or operating personnel, or the failure to attract and retain additional key personnel, could have a material adverse effect on our business, financial condition and results of operations.

Our operations are subject to the general risks of litigation.

We are involved on an ongoing basis in litigation arising in the ordinary course of business or otherwise. Litigation may include class actions involving consumers, shareholders, employees or injured persons, and claims related to commercial, labor, employment, antitrust, securities or environmental matters. Moreover, the process of litigating cases, even if we are successful, may be costly, and may approximate the cost of damages sought. These actions could also expose us to adverse publicity, which might adversely affect our brands and reputation and/or customer preference for our products. Litigation trends and expenses and the outcome of litigation cannot be predicted with certainty and adverse litigation trends, expenses and outcomes could have a material adverse effect on our business, financial condition and results of operations.

Disruption of our supply chain could adversely affect our business.

Damage or disruption to our manufacturing or distribution capabilities due to weather, natural disaster, fire, terrorism, pandemic, strikes, the financial and/or operational instability of our key suppliers, distributors, warehousing and transport providers, or other reasons could impair our ability to manufacture or sell our products. To the extent that we are unable to or cannot financially mitigate the likelihood or potential impact of such events, or to efficiently manage such events if they occur, they could have a material adverse effect on our business, financial condition and results of operations and additional resources could be required to restore our supply chain.

We may incur liabilities that are not covered by insurance.

We maintain the types and amounts of insurance coverage that we believe are consistent with customary industry practices in the jurisdictions in which we operate. Our insurance policies cover, among other things, employee-related accidents and injuries, property damage and business interruption, machinery breakdowns, fixed assets, facilities and liability deriving from our activities, including product and environmental liabilities and directors' and officers' liability. For example, the production at our warehouses or our facilities could be adversely affected by extraordinary events, including fire, explosion, the release of high-temperature steam or water, structural collapse, machinery or mechanical failure, extended or extraordinary maintenance, road construction or closures of primary access routes, flooding, windstorms or other severe weather conditions. While we seek to maintain appropriate types and levels of insurance, not all claims may be insurable. Moreover, there may be insurable events which cannot be fully covered according to our cover conditions or limits, such us indirect damages affecting our reputation and brand image. Furthermore, the occurrence of an event resulting in substantial claims during the calendar year could have a material adverse effect on our business, financial condition and results of operations. In addition, our insurance premiums may increase over time in response to any negative development of our claims history or due to overall market conditions.

We may incur liabilities in connection with our pension plans.

In certain countries, we have pension plans under which we have an obligation to provide agreed benefits to current and former employees. Our net liabilities under the defined benefit plans may be significantly affected by changes in the discount rate, the expected return on the plans' assets, the social security rate, the rate of increase in salaries and pension contributions, changes in demographic variables or other events and circumstances. Changes to local legislation and regulation relating to defined benefit plan funding requirements may result in significant deviations in the timing and size of the expected cash contributions under such plans. There can be no assurance that we will not incur additional liabilities relating to our pension plans, and these additional liabilities could have a material adverse effect on our business, financial condition and results of operations.

Fluctuations in foreign currency exchange rates and interest rates may affect our results of operations.

We have limited exposure to foreign currency exchange rate transaction risk through our exports to the United Kingdom and the United States. Additionally, certain of our indebtedness bears interest at variable rates, generally linked to market benchmarks such as EURIBOR and LIBOR. Any increase in interest rates would increase our finance costs relating to variable rate indebtedness and increase the costs of refinancing existing indebtedness and of issuing new debt. Further, given our leverage, increases in interest rates could have a material adverse effect on our business, financial condition and results of operations. There can be no assurance that future exchange rate and interest rate fluctuations will not have a material adverse effect on our financial condition and results of operations.

Our computer systems may fail or be interrupted, which could potentially harm our business.

We rely on numerous computer systems that allow us to track and bill our customers, communicate with customers, manage our employees and gather information upon which management makes decisions regarding our business. The administration of our business is increasingly dependent on the use of these systems. In 2014, we invested approximately €5.8 million in our centralized IT system. As a result, system failures or disruptions resulting from computer viruses, hackers or other causes could have a material adverse effect on our business. In addition, we outsource the operation and maintenance of certain of our information technology systems to seek to ensure effective management of our information technology resources, as well as to improve the cost efficiency of our information technology infrastructure, systems and applications. We rely on the ability of our outsourcing partners to deliver agreed services. Their failure to perform satisfactorily could have a material adverse effect on our business, financial condition and results of operations.

An impairment in the carrying value of goodwill could negatively impact our consolidated results of operations and net worth.

Goodwill is recorded at cost less any accumulated impairment losses and is not amortized, but is reviewed for impairment at least annually or more frequently if impairment indicators arise. In evaluating the potential for impairment of goodwill, we make assumptions regarding future operating performance, business trends, and market and economic conditions. Such analyses further require us to make judgments and assumptions about sales, operating margins, growth rates, and discount rates. There are inherent uncertainties related to these factors and to our judgment in applying these factors to the assessment of goodwill recoverability. Goodwill reviews are prepared using estimates of the fair value of reporting units based on the estimated present value of future discounted cash flows. We could be required to evaluate the recoverability of goodwill prior to our annual assessment if we experience disruptions to the business, unexpected significant declines in operating results, divestiture of a significant component of our business or market capitalization declines.

Impairment charges could substantially affect our reported earnings in the periods of such charges. In addition, impairment charges would negatively impact our financial ratios and could limit our ability to obtain financing in the future. As of December 31, 2014 we had €459.5 million of goodwill, which represented 20.5% of total assets.

INDUSTRY AND MARKET DATA

Certain of the projections and other information set forth in this section have been derived from external sources including reports of independent consultants, Planet Retail channel data, Euromonitor, Food For Thought (FFT) Strategic Information Services, Nielsen and IRI retail panels, among others. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We believe that these industry publications, surveys and forecasts are reliable but we have not independently verified them and cannot guarantee their accuracy or completeness.

The processed meat market may be defined in a number of ways and competitors within the processed meat market may define the market differently. Certain industry sources referenced for purposes of this Annex segment processed meat products into (i) processed meat for cold consumption including cooked products for slicing, cured products for slicing and spreads; (ii) processed meat for hot consumption including sausages for hot consumption and raw cured products, mainly bacon, and (iii) meat preparations including modern meal substitutes (ready meals, convenient meal components, pies, pizzas, etc.). General descriptions in this section of the European processed meat industry include processed meat for cold consumption and processed meat for hot consumption and meat preparations. ***For purposes of this Annex, including descriptions of our relative position in the industry and related market share information, we consider the processed meat market to include processed meat for cold consumption, sausages for hot consumption and bacon.***

The projections and forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See "Risk Factors" and "Forward-Looking Statements."

The European Chilled Processed Meat Industry

Production

Chilled processed meat describes fresh meat that has undergone further value- added production such as, cooking, refrigeration, dehydration, salting or curing and includes chilled meat such as sausages, salamis, cooked meat, sliced meat and meat snacks. In 2013, the total volume of chilled processed meat consumption in Western Europe was approximately 5,314 KTon (approximately €43.4 billion in value), with Germany, Spain, Italy, France, Portugal, Belgium and The Netherlands accounting for approximately 70% of the Western Europe total consumption volume. This excludes consumption of fresh, canned and frozen meat.

The Western European chilled processed meat consumption volume grew steadily at approximately 1% per year from 2008 to 2013. Growth in chilled processed meat sales is primarily driven by the switch from deli meat to processed and packaged meat variants. Broader macro drivers, such as population and GDP growth, are expected to be more stagnant in Western Europe, and growth in the chilled processed meat category is therefore anticipated to be greater in Eastern Europe than in Western Europe. Growth is primarily expected to come from premiumization as well as from the affordable range of products including private label (retailer brand). The evolution from counter-service to self-service formats is expected to continue, reflecting consumers' desire for convenience. We expect snacking, healthy ready meals to be growth segments (with mid-single digit value growth for 2014-2018 based on current levels of performance).

Processed meat operators are engaged primarily in the production and commercialization of processed meat for retail, catering, or export sales. While processed meat production is generally fragmented across Europe, industry structures vary by country, typically as a result of historical evolution. For example, artisanal processed meat production represented approximately 8.6% of "all processed meat" production value in Germany in 2013, while the EU average was approximately 5.2%.

The European processed meat industry is undergoing consolidation as larger multi-national processed meat operators seek to achieve economic benefits associated with the creation of operational scale and the expansion of geographic scope, including increasing scale of purchasing, new product development and innovation activities, sales and distribution efficiencies and stronger negotiating leverage with retail and food service customers. Campofrio Food Group, through its acquisitive expansion resulting in operations in seven countries in Europe, illustrates that trend.

Consolidation is also taking place through vertical integration, as two of the largest European fresh meat operators, Vion and Danish Crown, have completed several acquisitions in the processed meat sector and consolidated their respective operations. Many processed meat operators are family-owned companies and, to the extent that successive generations choose not to operate the family business, generational turnover is a contributing factor to industry consolidation on a national level.

Principal Competitors and Competitive Position

Campofrio Food Group is the largest producer of chilled processed meat products in Europe by net sales, with €1.9 billion in net sales in 2013, and is the only operator with substantial multi-national operations. Campofrio Food Group has substantially higher net sales than the processed meat operations of its second largest direct competitor in countries where the Company operates. As of 2013, the company had a number one or number two position in most processed meat markets where it operates including Spain (23.4% market share by value in processed meat), France (14.7%), Portugal (15.1%), The Netherlands (16.3%) and Belgium (21.2%).

Two of the major European vertically integrated fresh meat processing groups, Vion and Danish Crown, also produce significant volumes of processed meat. However these operators do not have relevant national consumer brands and the size of their processed meat operations is therefore difficult to determine. In addition, Vion focuses heavily on private label sales and exports, especially of bacon to the UK. As such, Vion and Danish Crown are not typically considered to be direct competitors with branded processed meat operators although they do compete for private label sales, mainly in Northern Europe and Germany. As the European processed meat industry consolidates, these operators may become increasingly relevant to the competitive assessment.

Outside of the multi-national processed meat operators and a few retailer- owned processing plants, primarily in Germany and France, most processed meat operators are mid-sized and often family-owned enterprises. As industry consolidation continues, operators are getting larger and expanding their geographic presence, but the industry remains fragmented. In 2013, the top five operators had a market share (by value) of approximately 10% of chilled processed meat market in Western Europe, while the top fifteen companies accounted for approximately 21%. The fragmented nature of the industry is linked to regional consumption patterns, which is the basis for the survival of many smaller manufacturers.

Sourcing

Processed meat operators in Europe source their raw materials from their own group's slaughterhouses, from domestic or regional suppliers or from within the EU. The EU pig meat sector is subject to EU law and policies to protect the standards of living for farmers in the sector. The regime covers live hogs and derived products such as meat and processed products. Thus, non-EU sourcing is marginal for further processing as the EU limits imports of pig products through quotas.

Processed Meat Distribution Channels

Processed meat is largely distributed through three main distribution channels: modern retail, catering and traditional retail. Modern retail consists of sales to retail outlets such as supermarkets and hypermarkets. Catering consists of sales to the catering business and traditional retail consists of sales to traditional retail outlets, such as butchers and delicatessens. Italy, France and Spain have the highest rate of distribution through the modern retail channel in Europe, with more than 75% of their processed meat distributed in this way. The Netherlands, on the other hand, has the highest rate of distribution through the catering channel, at approximately 30% of total consumption.

Consumption Drivers

The main drivers for processed meat consumption include:

- relatively positive consumer attitude towards classic processed meat products;
- taste and enjoyment;
- consumers' interest in convenience food, including the strong development of self-service and sliced products;
- development of out-of-home consumption in line with modern lifestyles;
- reduced time allocated to meal preparation favors practical and ready to use products, such as meal substitutes and cured or cooked sliced products; and
- popularity of healthy and organic products, favoring light products containing less fat or less salt, poultry meat based products, as well as the use of natural ingredients, with no additives.

Factors limiting the demand and growth of processed meat consumption include:

- already high consumption levels limit further growth opportunities;
- negative health image related in part to saturated fat and sodium nitrate levels associated with certain product types, particularly cured ham and sausage products; and
- recent prices increases, resulting in part from recent increases in raw material, grain for livestock prices and other factors relating to the current economic environment, may stall the development of premium, branded and value- added products.

Regional Processed Meat Markets

Spain

Spain accounts for approximately 9% of chilled processed meat volume in Western Europe with approximately 460 KTon in 2013. The Spanish processed meat market has a wide range of regional specialties and regional consumption patterns which partially explain the large number of local operators. The most popular products include dry cured ham (22% of total chilled processed meat), boiled and smoked ham (16%) as well as chorizo (12%). Sausages (6%), especially pork-based sausages, are traditionally eaten in bocatas or sandwiches made using a baguette or bread bar, and also in between meals or as an appetizer.

The Spanish market for processed meat is relatively mature and fragmented, with a high number of operators and a concentrated retail sector, which foster competition among companies and diversification of product portfolios. The industry is currently undergoing a slow process of concentration, however. Campofrio Food Group is the market leader in Spain, with a 2013 market share (by value) of approximately 23.4% in processed meat. In 2013, Campofrio Food Group produced approximately 145 KTon of processed meat products in Spain. The next largest operator, El Pozo Alimentación S.A., produced approximately 110 KTon. The top five operators accounted for approximately 44% of processed meat consumption value in 2013, with artisanal operators accounting for 8.9%.

The Spanish chilled processed meat market experienced a growth in consumption volume of 1.9% per annum over the last five years and, during the next five years, consumption volume is expected to grow at 0.4% per annum. The fastest growth is expected to come from the poultry category, mostly driven by the demand for healthy products. Moreover, new format developments (snacking, affordable ranges, etc.) are expected to support growth for dry ham and dry sausages.

Pork is the main raw material used in the production of processed meat in Spain. After Germany, Spain is the second largest producer of pork in the EU and most pork sourcing is regional, or local. Some of the largest processed meat operators are wholly or partially vertically integrated, such as El Pozo Alimentación S.A. and Campofrio Food Group, while other operators have contracts with breeders or shareholdings in breeding farms to ensure sourcing. A large number of significant operators source raw materials through spot purchases.

France

France is a mature market for processed meat, with a wide range of products, many of which are an important part of the French culinary culture. France accounted for approximately 16% of Western European chilled processed meat volume market in 2013, with approximately 835 KTon.

The French processed meat market is led by three main companies, Campofrio Food Group, Herta and Fleury Michon, which accounted respectively for 14.7%, 11.8% and 5.3% by consumption value in 2013. Other market participants are primarily family-owned businesses, many of which face generation-change problems or have difficulty developing their own brands and are consolidated into larger competitors. The top five operators accounted for approximately 40% of processed meat consumption value in 2013, and artisanal operators accounted for 5.2%.

The French chilled processed meat market has remained relatively flat recently, with volume growing by 0.7% per annum between 2008 and 2013. During the next five years, chilled processed meat consumption volume in France is expected to grow by 0.3% per annum. Growth is expected to be supported by innovation and new formats.

French slaughterhouses are small players in the processed meat market. Buying is usually based on spot prices as quoted on the "*Cadran*" and French slaughterhouses generally do not enter into significant supply contracts with the major processed meat operators. Rising production costs and declining pork availability have led processed meat operators to increasingly source raw materials internally through vertical integration or from neighboring EU countries, typically at lower prices. The largest operators have their own supply channels, some of which are integrated. Mid-sized and small operators source mainly from France and from neighboring countries, such as Denmark, Belgium, The Netherlands, Germany and Spain.

Portugal

Portugal accounted for approximately 0.2% of chilled processed meat volume in Western Europe with approximately 8 KTon in 2013. The Portuguese market for processed meat is relatively mature and fragmented. The product offering is quite concentrated in dry ham and cooked ham, which represent approximately 56% of chilled processed meat market.

Campofrio Food Group is the largest producer of processed meat in Portugal, with a market share (by value) of approximately 15% in processed meat in 2013, 21% in cooked ham, 31% in poultry and 27% in hot dogs (by value) in 2013. Probar, the number two player, had a market share (by value) of 9.1% in 2013, followed by Iglo Foods, with a market share of 7.5%. Grupo Fuertes, Grupo Montalva and Casa de Prisca have a market share between 5% and 6% each. Other processed meat operators in Portugal are predominantly vertically integrated family-owned businesses that focus on private label production and prioritize promotional activities.

As Portuguese standards of living and purchasing power have steadily increased since Portugal's accession to the European Union, pork, poultry and beef consumption per capita has increased. The chilled processed meat market consumption volume has grown by 1.5% per annum between 2008 and 2013. In the next five years, the outlook for growth is negative, with a decline in volume expected. Price levels are certain to remain a priority demand factor, the continued launch of family-size and low-cost packages of chilled processed meat products are predicted to be important factors for supporting continued growth in this category.

Italy

Italy accounted for approximately 13% of Western Europe chilled processed meat consumption volume in 2013, with approximately 715 KTon. As a cornerstone of Italian cuisine, chilled processed meat is regarded as affordable, nutritious and convenient to consume, and has thus become a popular item for home and outdoor meals. In 2013, ham—both cured and cooked—maintained its leading position within the category with approximately 30% share. Chilled processed chicken and poultry also continues to represent a significant share of overall sales of chilled processed meat, with approximately 15% in 2013. Share of burgers is also increasing, as they are considered healthy protein-based items, and accounted for approximately 4% in 2013.

Chilled processed meat production is a highly competitive and well- developed environment, as the production of ham, mortadella and salami has a long tradition in Italy. Veronesi and Grandi Salumifici Italiani are the market leaders in processed meat with a market share of, respectively, 10.1% and 8.9% (by value) in 2013. Campofrio Food Group established its Italian platform with the acquisition of Fiorucci in 2011. Founded in 1850, Cesare Fiorucci is one of the leading players in the Italian processed meats industry and its Fiorucci brand enjoys the number-one position in the domestic market as well as the largest foreign distribution of any Italian deli meats brand. As of 2013, Campofrio Food Group has a market share (by value) in processed meat of 3.3%. Moreover, Fiorucci holds 1.4% market share (by value) in cured meat category, 5.7% in bacon & ham category and 1.8% in delicatessen products.

Chilled processed meat consumption volume in Italy has increased steadily by 2.8% between 2008 and 2013, and is expected to continue to grow by 2.5% during the next five years thanks to manufacturers' focus on innovation and advertising.

The Netherlands

The Netherlands accounted for approximately 3% of chilled processed meat consumption volume in Western Europe with approximately 150 KTon in 2013. The Dutch processed meat industry is mainly focused on its domestic market, and the specialized business of bacon exports to the UK. This industry developed on a regional basis, with operators taking advantage of locally available raw materials to produce a range of processed meat products.

There are many companies in The Netherlands that produce processed meat, although most are small and very few operate multiple plants. Many of the smaller plants produce conventional Dutch products for the large domestic market, while only the largest players operate throughout Europe. The large operators in The Netherlands each specialize in a limited product range, thus minimizing competition. For example, Zwanenberg Food Group, for which we estimated a market share (by value) of approximately 30% in processed meat, concentrates on the production of canned products; Campofrio Food Group, with approximately 16.3% market share (by value) in processed meat in 2013, specializes in traditional processed meat products (27% market share in bacon and ham category by value in 2013); Vion, with a market share of approximately 6.5%, the fifth player after Meatpoint (9.6% market share) and Iglo Foods (8.9%) is a large producer of bacon (approximately 21% market share in this category). Over time, some Dutch companies have consolidated, giving rise to an slaughterhouse sector controlled by a few large companies and a fragmented processed meat sector in which small regional companies still exist to supply local outlets.

In recent years, factors such as rising prices and health concerns with respect to processed meat products have negatively impacted the consumption of processed meat in The Netherlands. On the other hand, the fact that consumers prepare more homemade lunch kits, which typically include sandwiches with either cheese or meat products, might bring some positive growth outlook for this category. Chilled processed meat consumption volume in The Netherlands has marginally decreased by 0.2% between 2008 and 2013 and this trend is expected to continue for this category over the next five years.

Belgium

Belgium accounted for approximately 3% of chilled processed meat consumption volume in Western Europe in 2013 with approximately 155 KTon. There is a strong tradition of meat processing in Belgium, particularly in Wallonia, where consumers enjoy a large range of products including many French products and brands. The most popular products are cooked ham (21% in 2013) and bacon and cured ham (17%), and followed by cooked sausages (15%).

The processed meat market is quite consolidated in Belgium. We estimate that Campofrio Food Group and Ter Beke, the two largest producers of processed meat in Belgium, together account for approximately 50% of the market by value. Nestlé, the number three operator had a market share (by value) of 15.5% in 2013. The other Belgian processed meat operators are small to mid-sized operators.

The Belgian meat industry suffered a setback when seven million chickens and approximately 60,000 pigs were quarantined and slaughtered after being fed dioxin contaminated feed. As a result, several countries imposed a ban on Belgian pork and poultry products, further impairing the meat processing industry and leading to the collapse of the processed meat market with an approximate 23% decline in volume and 13% decline in value. This crisis led to industry reorganization and a change in export strategy. The Belgian processed meat industry also experienced a significant drop in exports between 1996 and 2001, due to the removal of export subsidies, which effectively closed the Russian market for Belgian exports. In Belgium, consumption of processed meat has been somewhat impacted by the horsemeat scandal, and retailers have typically preferred to keep retail prices stable rather than passing on volatility of input prices to protect the volume consumption. In that context, margins for several players in the country have been impacted. Between 2008 and 2013, consumption volume of chilled processed meat in Belgium has grown by 2.3% per annum and volume is expected to grow over the next five years at approximately 1% per annum.

Germany

The German chilled processed meat industry is the largest in Europe, accounting for approximately 24% (or 1,300 KTon) of Western Europe chilled processed meat volume in 2013. The most popular chilled processed meat by type remains boiled sausages, with a 24% share of retail value sales in 2013. In second place is salami (18%), followed by ham (15%). Various other types of sausage remain significant in Germany, such as Kochwurst (9%) and traditional Bratwurst (9%), as Germany is a sausage-eating nation.

The processed meat industry is highly fragmented, with few signs of reorganization and concentration. We estimated that the top 30 companies account for approximately half of the market. Heristo is the leading food processing company with approximately 4.5% share of consumption value in processed meat market in 2013, followed by Peter zur Mühlen and Nestlé, each with a 4.4% market share. Slaughterhouses, such as Tönnies and Vion, produce frozen and chilled modern meat products, but are limited producers of conventional processed meat products. Campofrio Food Group has a market share (by value) smaller than 1% in the German processed meat market and of approximately 1.5% in the cured meat category. The fragmented status of the industry is linked to regional consumption patterns, which are the basis for the survival of small industrial players with regional distribution, but which also limit synergies between operators and, therefore, consolidation prospects. Most processed meat operators are mid-sized and often family-owned. Additionally, most top German retailers have their own integrated meat processing plants, including processed meat production.

The chilled processed meat market in Germany was resilient over time with a 2008-2013 volume CAGR of 0.5%. During the next five years, processed meat consumption volume is expected to remain stable, while it is expected to increase in value terms by 2.7% per annum.