# CAMPOFRIO FOOD GROUP

UNAUDITED INTERIM SELECTED
CONSOLIDATED FINANCIAL INFORMATION
THREE MONTH PERIOD ENDED 31st MARCH 2012

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# INTRODUCTION

In November 2009, CAMPOFRIO FOOD GROUP, S.A. (the "Company"), incorporated as a public limited company (*sociedad anónima*) under the laws of Spain, issued € 500 million aggregate principal amount of its 8.250% Senior Notes due 2016 (the "Notes") at a price of 99.365%. The Company will pay interest on the Notes semi-annually on each April 30 and October 31, commencing April 30, 2010. Prior to October 31, 2013, the Company will be entitled, at its option, to redeem all or a portion of the Notes by paying relevant "make-whole" premium. At any time on or after October 31, 2013, the Company may redeem all or part of the Notes by paying a specified premium to the holders. In addition, prior to October 31, 2013, the Company may redeem at its option up to 35% of the Notes with the net proceeds from certain equity offerings. If the Company undergo a change of control or sell certain of its assets, it may be required to make an offer to purchase the Notes. In the event of certain developments affecting taxation, the Company may redeem all, but not less than all, of the Notes. The Company may from time to time seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for equity securities, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, the Company's liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

The Notes are senior debt of Campofrio Food Group and will rank *pari passu* in right of payment to all of Campofrio Food Group's existing and future senior indebtedness. The Notes are guaranteed on a senior basis by certain of our subsidiaries.

The Notes are admitted to listing on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF market.

The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the ''U.S. Securities Act''). The Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the U.S. Securities Act (''Rule 144A'') and to certain persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act (''Regulation S''). You are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A.

Following the issuance of the Notes, the Company redeemed all of its U.S Private Placement notes, prepaid all of its LBO facilities (multicurrency credit facilities with a limit of €415 million, arranged by Citigroup Global Markets Ltd and Royal Bank of Scotland plc.) and repaid all short-term borrowings under various lines of credit.

This Unaudited Selected Consolidated Financial Information is provided to the holders of the Notes pursuant to Section "Description of the notes - Reports (2)" of the indenture.

# CONSOLIDATED INCOME STATEMENT

Campofrio Food Group
*(In Thousands of Euros)*

| | Three month period ended March 31, | | | |
|---|---|---|---|---|
| | 2012 | | 2011 | |
| | **Actual (unaudited)** | % of total oper. revenue | **Actual (unaudited) (restated)** | % of total oper. revenues |
| **Operating revenues** | | | | |
| Net sales and services | 447,413 | 94.8% | 371,254 | 93.8% |
| Increase in inventories of finished goods and work in progress | 20,131 | 4.3% | 20,272 | 5.1% |
| Capitalized expenses on Company's work on assets | 1,519 | 0.3% | 1.004 | 0.3% |
| Other operating revenue | 2,766 | 0.6% | 3,318 | 0.8% |
| Total operating revenues | 471,829 | 100.0% | 395,484 | 100.0% |
| **Operating expenses** | | | | |
| Consumption of goods and other external charges | (259,372) | (55.0%) | (211,369) | (53.4%) |
| Employee benefits expense | (88,855) | (18.8%) | (79,677) | (20.1%) |
| Depreciation and amortization | (14,951) | (3.2%) | (12,331) | (3.1%) |
| Other operating expenses | (89,215) | (18.9%) | (71,116) | (18.0%) |
| Changes in trade provisions | (470) | (0.1%) | (478) | (0.1%) |
| Total operating expenses | (452,863) | (96.0%) | (374,971) | (94.7%) |
| Impairment of assets | - | 0.0% | - | 0.0% |
| **Operating profit** | **18,966** | **4.0%** | **20,877** | **5.3%** |
| Financial expenses, net | (13,946) | (3.0%) | (10,031) | (2.8%) |
| Other results | (107) | (0.0%) | (988) | (0.3%) |
| **Profit before tax** | **4,913** | **1.0%** | **8,858** | **2.2%** |
| Income taxes | (2,547) | (0.5%) | (862) | (1.3%) |
| **Profit for the period from continuing operations** | **2,366** | **0.5%** | **7,996** | **2.0%** |
| Profit & (Loss) after tax for the period from discontinued operations | (2,982) | (0.6%) | (5,245) | (1.3%) |
| **Profit for the period** | **(616)** | **(0.1%)** | **2,751** | **0.7%** |
| Non-controlling interests | | | - | - |
| Attributable to equity holders of the parent company | (616) | (0.1%) | 2,751 | 0.7% |

The accompanying notes are an integral part of this consolidated financial information.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Campofrio Food Group
(*In Thousands of Euros*)

| | Consolidated statement of financial position at, | |
|---|---|---|
| | **Mar 31, 2012** | **Mar 31, 2011** |
| | **Actual (audited)** | **Actual (audited)** |
| **ASSETS** | | |
| Property, plant and equipment | 573,671 | 543,091 |
| Goodwill | 456,188 | 418,557 |
| Other intangible assets | 261,800 | 190,011 |
| Non-current financial assets | 30,825 | 29,479 |
| Investments accounted for under the equity method | 13,375 | 6,043 |
| Deferred tax assets | 120,487 | 69,235 |
| Other non-current assets | - | 146 |
| **Total non-current assets** | **1,456,346** | **1,256,562** |
| Inventories | 358,459 | 312,241 |
| Trade and other receivables | 190,327 | 178,727 |
| Other current financial assets | 419 | 346 |
| Other current assets | 6,663 | 6,674 |
| Cash and cash equivalents | 151,295 | 194,426 |
| **Total current assets** | **707,163** | **692,414** |
| **Assets classified as held for sale and discontinued operations** | **5,230** | **2,997** |
| **TOTAL ASSETS** | **2,168,739** | **1,951,973** |
| **EQUITY AND LIABILITES** | | |
| Equity attributable to equity holders of the parent | 577,070 | 646,931 |
| Equity attributable to minority interests | - | - |
| **Equity** | **577,070** | **646,931** |
| Debentures | 488,978 | 484,822 |
| Interest-bearing loans and borrowings | 90,455 | 1,725 |
| Other financial liabilities | 3,648 | 21,883 |
| Deferred tax liabilities | 170,483 | 133,651 |
| Other non-current liabilities | 16,810 | 19,282 |
| Provisions | 110,810 | 54,110 |
| **Total non-current liabilities** | **881,184** | **715,473** |
| Debentures | 17,188 | 17,188 |
| Interest-bearing loans and borrowings | 30,348 | 3,005 |
| Trade and other payables | 540,688 | 482,968 |
| Other financial liabilities | 3,603 | 558 |
| Creditor for income tax | 4,934 | 6,643 |
| Provisions | 39,124 | 3,331 |
| Other current liabilities | 73,214 | 75,837 |
| **Total current liabilities** | **709,098** | **589,530** |
| **Liabilities associated to operations on sale or discontinued** | **1,387** | **39** |
| **TOTAL EQUITY AND LIABILITIES** | **2,168,739** | **1,951,973** |

The accompanying notes are an integral part of this consolidated financial information.

## CONSOLIDATED CASH FLOW STATEMENT

Campofrio Food Group
(*In Thousands of Euros*)

| | Three month period ended March 31, | |
|---|---|---|
| | **2012** | **2011** |
| | **Actual (unaudited)** | **Actual (unaudited)** |
| **Operating flows before changes in working capital** | **34,337** | **32,219** |
| Changes in working capital | 1,004 | 1,389 |
| **Cash flows from operating activities** | **35,341** | **33,608** |
| Net interest expenses | (2,760) | ( 368) |
| Provision and pensions payment | (6,081) | (2,059) |
| Income tax paid | (4,310) | ( 191) |
| Other collection and payments | - | 4,507 |
| **Net cash flows from operating activities** | **22,190** | **35,697** |
| Investments in property, plant and equipment | (11,295) | (6,167) |
| Investment in Group companies | (1,960) | - |
| Other cash flows from investing operations, net | 55 | 2,721 |
| **Net cash flows from investing activities** | **(13,200)** | **(3,446)** |
| Changes in financial assets and liabilities | 3,557 | 661 |
| Payments related to the refinancing | - | (1,500) |
| Purchase of non-controlling interest | - | (5,755) |
| Purchase of treasury shares and Dividend payments | ( 686) | (50) |
| **Net cash flows from financing activities** | **2,871** | **(6,644)** |
| **Net increase/(decrease) in cash and cash equivalents** | **11,861** | **25,407** |
| Cash and cash equivalents at beginning of period | 139,411 | 169,019 |
| Cash and cash equivalents at end of period | 151,272 | 194,426 |

The accompanying notes are an integral part of this consolidated financial information.

## OTHER SELECTED CONSOLIDATED FINANCIAL INFORMATION

Campofrio Food Group
(*In Thousands of Euros*)

**Conciliation from Profit for the period to EBITDA normalized**

| | Three month period ended March 31, | |
|---|---|---|
| | **2012** | **2011** |
| | **Actual (unaudited)** | **Actual (unaudited) (restated)** |
| **Profit for the period Attributable to equity holders of the parent company** | ( 616) | 2,751 |
| Profit for the period Attributable to Non-controlling interests | - | - |
| Profit & (Loss) after tax for the period from discontinued operations | 2,982 | 5,245 |
| Income taxes | 2,547 | 862 |
| Other results | 107 | 988 |
| Financial expenses, net | 13,946 | 11,030 |
| Impairment of assets | - | - |
| Depreciation and amortization | 14,951 | 12,331 |
| **EBITDA** | **33,917** | **33,208** |
| Total Adjustments | 10 | 399 |
| **EBITDA (normalized)** | **33,907** | **32,809** |

The accompanying notes are an integral part of this consolidated financial information.

## EXPLANATORY NOTES TO THE UNAUDITED INTERIM SELECTED CONSOLIDATED FINANCIAL INFORMATION

***Corporate Information***

Campofrio Food Group, S.A. (the "Company"), with registered office at Avda. de Europa, Parque Empresarial la Moraleja in Alcobendas (Madrid), was incorporated as a private limited company in Spain on September 1, 1944, under the registered name Conservera Campofrío, S.A. On June 26, 1996, the Company's name was changed to Campofrío Alimentación, S.A. and on December 30, 2008, it changed to its current name, Campofrio Food Group, S.A.

Campofrio Food Group, S.A. is the parent of a group of companies consolidated under the full and equity consolidation methods.

The Company manufactures and sells products mainly for human consumption. The principal activities of the parent company and the group companies are to manufacture, sell and distribute processed and canned meat and derivatives from pork, poultry and beef by-products and other food products.

The Company operates throughout Spain with factories in Burgos, Villaverde (Madrid), Torrijos (Toledo), Ólvega (Soria), Torrente (Valencia) and Trujillo (Cáceres), and through its investments in Portugal, Belgium, France, Germany, Italy, the Netherlands, United Kindom, USA and Romania.

On January 13, 2011, the Parent signed a share purchase-sale agreement with the entities holding 100% of the share capital of the Italian company Cesare Fiorucci S.p.A, which is the parent of several companies, all of which make up the "Cesare Fiorucci Group" ("Fiorucci"). The transaction was subject to meeting certain suspensive conditions, which included, amongst others, approval or failure to oppose the agreement by the Competition Authorities. Finally, on April 4, 2011 the transaction was signed by the parties after obtaining authorization from the Competition Authorities for its execution and after fulfilling agreed conditions.

During the first quarter of 2012, the group signed an agreement to engage, together with Foxlease, in a Joint Venture on which it holds 49% of the share capital. For the constitution of this Joint Venture, the group contributed with its cooked ham business in France, ran by one of its French subsidiaries, Jean Caby SAS. As of March, 2012, the group proceeded to derecognize Jean Caby assets and liabilities from Group consolidated financial statements, and, as part of a Joint Venture, it is now integrated into the consolidated financial statements as an Equity Investee.

***Basis of preparation***

The amounts of the consolidated income, balance sheet and cash flow statement, were prepared in accordance with International Financial Reporting Standards, adopted by the European Union (the "IFRS-EU"), in conformity with EU Regulation no. 1606/2002 of the European Parliament and Council. The rest of information and disclosures that are necessary in financial statements elaborated under IFRS-EU are not included since they are not applicable for the purpose of this document.

In any case, this selected financial information here presented and the explanatory notes should be read in conjunction with the Campofrío Food Group, S.A. and subsidiaries Consolidated Financial Statements and Consolidated Management Report for the year ended December 31, 2011 and 2010.

***Critical Accounting Policies***

Our consolidated financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council.

The discussion and analysis of our historical results of operations and financial conditions are based on our consolidated financial statements, which have been prepared in accordance with IFRS-EU. The preparation of our consolidated financial statements requires us to apply accounting methods and policies that are based on difficult or subjective judgments, estimates based on past experience and assumptions determined to be reasonable and realistic based on the related circumstances. The application of these estimates and assumptions affects the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates given the uncertainty surrounding the assumptions and conditions upon which the estimates are based.

Detailed information regarding the Company's accounting policies is provided in Note 2 to our consolidated financial statements for the year ended December 31, 2011.

***Comparison of information***

During 2011, as stated in "Corporate Information" above, the Group acquired Cesare Fiorucci Group. The contribution of Fiorucci is reflected only in the nine month period ended December 31, 2011 Consolidated Income Statement and Consolidated Cash-flow Statement. Due to the complexity to elaborate full comparable information and as it is not requested under IFRS, no restatements has been done to 2011 financial information in this document presented. Nevertheless, where applicable, the comparison is made disaggregating Fiorucci Group 2012 Income Statement from the Group Consolidated Income Statement.

In the last quarter of 2011, the Group's parent classified all its assets and liabilities related to the cooked ham business in France, run by the French subsidiary Jean Caby SAS, as "Assets and liabilities held for sale and discontinued operations", following its decision to discontinue this activity and actively engage in its sale. The parent also decided to suspend its pig breeding and fattening activities in Spain, carried out by the subsidiary La Montanera S.A. In compliance with IFRS 5, the results from the activities from both activities for 2012 have been reclassified to "Net loss after tax for the period from discontinued operations". The income statement for the first three month period ended March 31, 2011 has also been restated to reflect this same reclassification.

***Non-IFRS-EU Financial Measures***

This selected financial information could contain non-IFRS-EU measures and ratios, including EBITDA, adjusted EBITDA, net debt and leverage and coverage ratios that are not required by, or presented in accordance with, IFRS-EU. We present non-IFRS-EU measures because we believe that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-IFRS-EU measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating results as reported under IFRS-EU. Non-IFRS-EU measures and ratios such as EBITDA, adjusted EBITDA, net debt and leverage and coverage ratios are not measurements of our performance or liquidity under IFRS-EU and should not be considered as alternatives to operating profit or profit for the year or any other performance measures derived in accordance with IFRS-EU or any other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities.

***Discontinued Operations***

On December 31, 2011 the parent reclassified all its asset and liabilities related to the French cooked business and its breeding and fattening activities in Spain as "Assets and liabilities held for sales and discontinued operations", following its decision to discontinue those activities. Consequently, on the separate profit and loss statement, operation results from these activities have been reclassified as "net loss after tax from discontinued operations", both for the period ended in March 31, 2012 and 2011.

***Operating Segment Reporting***

Results are presented in accordance with following strategic reporting segments:

- Southern Europe: includes mainly operating activities managed in Spain, Portugal & Italy.
- Northern Europe: includes operating activities managed primarily in France, the Netherlands, Belgium & Germany.
- Others: includes mainly corporate monitoring and supervising activities and operating activities managed in USA.

Note: Elimination in Net Sales and Services segment reporting refers to the elimination of inter-segment sales (i.e.: sales between Southern and Northern Europe) eliminated at consolidated level. Segment information is presented net of intra-segment sales (i.e.: sales between Spain and Portugal)

In order to reflect comparable business performance with full cost allocations, corporate operating expenses has been allocated across the different segments. Prior year information has been restated in for comparable purposes.

*Net Financial Debt, Liquidity and Capital Resources*

The following chart sets forth the Company's debt position as of March 31, 2012 and March 31, 2011.

| **NET FINANCIAL DEBT** | **Period ended March 31,** | |
|---|---|---|
| | **2012** | **2011** |
| Non-current financial debt | | |
| Debentures | 488,978 | 484,822 |
| Interest-bearing loans and borrowings | 90,455 | 1,725 |
| Other financial liabilities | 3,647 | 21,883 |
| Current financial debt | | |
| Debentures | 17,188 | 17,188 |
| Interest-bearing loans and borrowings | 30,348 | 3,005 |
| Other financial liabilities | 3,603 | 558 |
| Current financial assets | | |
| Other current financial assets | ( 419) | ( 346) |
| Cash and cash equivalents | (151,295) | (194,426) |
| **Total Net Financial Debt** | **482,505** | **334,409** |

Our present debt structure consists of the Notes issued in 2009 which account for €488.9 million and a Senior Term Loan Facility amounting to €100 million drawn down in April 2011 to partially refinance the outstanding debt of Cesare Fiorucci S.p.A. our recently acquired Italian subsidiary, while the rest of its debt and the equity payment were funded out of our cash. As a result, our total debt is practically long-term. Besides the Notes and the new bank financing, the only remaining financial liabilities were basically the derivatives which we contracted initially to hedge our former USPP Notes. In the year 2009 on refinancing our debt, the USPP Notes were repaid and those derivatives were classified as held for trading. (See "Description of certain Financing Arrangements" in the Notes Offering Memorandum (OM)). During 2010 we proceeded to unwind derivatives worth €53 million that were outstanding at the end of 2009 and in September 2011 we proceeded to unwind the remaining derivatives for €19 million, and consequently, the derivatives exposure has been fully eliminated. The rest of the debt items (i.e. leasing …) are of negligible value in the context of the Company balance sheet.

Net financial debt of €482.5 million as of March 31, 2012 is higher than at the end of March 2011 due to the acquisition in April 2011 of our new subsidiary in Italy as a result of the new bank debt and the invested cash as referred above.

The Company's liquidity position remained very solid and amounted to €356 million at the end of March 2012, consisting of €151 million in cash and cash equivalents and €205 million of fully available bank lines. In addition, Fiorucci is contributing €23 million of uncommitted bank lines. The Company keeps focused on enhancing its cash management and working capital operations.

The following tables set forth the situation of the Company's two main financing sources as of March 31, 2012 and March 31, 2011.

| **Debentures** | Consolidated position at | |
|---|---|---|
| | **31/03/2012** | **31/03/2011** |
| Non-current debentures | 488,978 | 484,822 |
| Current debentures | 17,188 | 17,188 |
| Principal | - | - |
| Accrued interest | 17,188 | 17,188 |
| **Total debentures** | **506,166** | **502,009** |

| **Interest-bearing loans and borrowings** | Consolidated position at | |
|---|---|---|
| | **31/03/2012** | **31/03/2011** |
| Bank loans and credit facilities | 118,065 | 1,814 |
| Credit lines | 118,065 | 1,814 |
| Multicurrency credit line | - | - |
| Discounted bills payable | 976 | 2,196 |
| Interest payable | 1,761 | 723 |
| **Total** | **120,802** | **4,733** |

The following table sets forth the situation of the Company's current and non-current other financial liabilities as of March 31, 2012 and March 31, 2011.

| **Other financial liabilities** | Consolidated position at 31/03/2012 | | | Consolidated position at 31/03/2011 | | |
|---|---|---|---|---|---|---|
| | **Non-current** | **Current** | **Total** | **Non-current** | **Current** | **Total** |
| Financial leases | 800 | 473 | 1,273 | 1,389 | 556 | 1,945 |
| Other financial liabilities | 2,754 | 3,131 | 5,885 | 2,509 | 2 | 2,511 |
| Derivatives | 93 | - | 93 | 17,985 | - | 17,985 |
| **Total** | **3,647** | **3,604** | **7,251** | **21,883** | **558** | **22,441** |

The following table sets forth the situation of the Company's financial derivatives as of March 31, 2012 and 2011.

| **Fair value situation** | Fair value at | | March 2012 Outstanding notional principal | |
|---|---|---|---|---|
| | March 2012 | March 2011 | Notional | 2012 |
| Cash flow hedge | 93 | (500) | 7,088 | - |
| Derivatives held for trading | - | - | - | - |
| Swaps | - | 14,516 | - | - |
| Reverse swaps | - | 3,969 | - | - |
| **Total** | **93** | **17,985** | | |

After having unwound a significant portion of the outstanding derivatives during 2010 in the context of the Company's deleveraging commitment and, as it had been previously anticipated, the Company has proceeded to unwind the remaining €19 million derivatives during 2011 in an effort to fully eliminate the underlying risks still under rather volatile financial markets conditions. As a result, no additional exposure remains in 2012.

# MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

***Overview***

Campofrio Food Group is the largest European producer of processed meat products based on net sales. Its products, which are sold under well established and leading brands, cover a broad range of processed meat categories, including cooked ham, dry sausages, dry ham, hot dogs, poultry products, cold cuts and pâtés. The Company was founded in 1944 in Burgos, Spain and has expanded to achieve a direct presence in eight European countries, Spain, France, Portugal, the Netherlands, Belgium, Italy, Romania Germany and the United States, and sales in over 80 countries worldwide through independent distributors. The Company's 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. For the three month period ended March 31, 2012, the Company had Net Sales and Services and Reported EBITDA of €447.4 million and €33.9 million, respectively. It generates substantially all of its revenues in Europe. The Company is headquartered in Madrid, Spain and its shares have been listed on the Madrid stock exchange since 1988 and on the Barcelona stock exchange since 1990, and are now traded under the symbol "CFG". As of March 31, 2012, the Company had a market capitalization of € 644.0 million.

The Company is 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. The Company sources meat primarily from third party suppliers which it monitors on a regular basis to ensure that high-quality and hygienic standards are maintained. The meat is then processed in one, or a combination, of our 30 facilities and the final products are sold directly to customers, which include some of the largest retailers in Europe, including Carrefour, Ahold, Auchan, Delhaize, Casino and Lidl, as well as directly or through wholesalers to a large number of food service specialists and traditional retail outlets. As a result of its strong relationships with retail and food specialist customers, the Company has also developed a strong private label or retailer brand business.

**Factors Affecting Our Results of Operations**

Raw Material Prices

| Pig carcass average price | Three month period ended March 31, | | | % Increase (decrease) over prior period | |
|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2011 vs. 2010 | 2012 vs. 2011 |
| | | (price in €/kg) | | | |
| Spain Mercolleida | 1.37 | 1.53 | 1.56 | 11.7 | 1.9 |
| France MPB | 1.21 | 1.38 | 1.51 | 13.8 | 9.4 |
| Netherlands Monfoort | 1.27 | 1.38 | 1.56 | 7.5 | 14.1 |
| Belgium Danis | 1.19 | 1.25 | 1.44 | 5.3 | 15.2 |
| Germany AIM | 1.33 | 1.39 | 1.58 | 4.6 | 13.8 |
| Denmark DC | 1.14 | 1.27 | 1.37 | 12.0 | 8.0 |

2011 EU27 grain production rose +4.0% to 284 million tons, the third largest crop record, mostly the result of higher average yields. Despite the larger output, wheat, barley and corn prices increased respectively by +34%, +43% and +35% versus the previous year. The 2012 grain crop is forecasted to rise again and reach 290 million metric tons as farmers responded to higher prices by planted additional areas. Prices remain exceptionally high on an historical long term basis.

The higher grain prices (+60 to +70 €/t) continue to severely impair the profitability of pig producers in Europe. Hence, EU pig farmers managed their losses by lowering sow herds (-3.1% in Dec 2010 survey, -4.8% in May-June 2011 survey, -3.4% in December 2011). These decisions impact pork meat output with a 9 to 10 months delayed effect.

For the full year, EU27 pig meat production grew by +1.4%. However, availability shrunk gradually throughout the year, leading to a drop in production of -0.9% in the last quarter. During the first quarter of 2012, slaughter activity rose in Spain (+9.2%), Germany (+2.3%), the Netherlands (+0.8%). It was more than offset by lower production in France (-2.5%), Italy (-4.8%), Belgium (-2.2%), Denmark (-6.7%) and Poland (-25.1%). Overall, Q1 pork meat production dropped -0.4% in Europe.

Last year, EU27 countries shipped record quantities of pork meat to third countries, due to a combination of robust demand from Asia (China, South Korea, Japan and the Philippines) and favourable trade conditions (currencies, relative prices in US and Brazil). Exports grew +18.8% above the levels of 2010, reaching 3.19 million tons. During the first 2 months in 2012 (exports rose +16.8% against last year), export levels decreased from their record levels in the last 6 months of the previous year, but remain sufficient enough to maintain high price levels for fat, jowls, bellies in the domestic EU27 market. During the fall, strong support was brought to the market by the surge in demand from the export markets, in particular from China (government storage to contain price increases) and South Korea.

The pig carcass price evolution in the main producer countries reflected heterogeneous supply and demand conditions more than eve. Q1 2012 pig carcass prices were above their highest levels of the last 10 years. The carcass quotations increased significantly in most EU countries (from +8% to +15%) as a result of lower supply. In Spain the quotation rose only +1.9% as production of pork meat surged by +9.2%.

The value of hams decreased -2.0% to -7.6% despite the rise in pig carcass quotations. As a result, the ham to pig price ratios are at the lowest level in the last 10 years, a sign of consumers switching to lower relative value cuts (penalizing hams and loins). On the other hand, shoulders rose from +4.0% to +15.2%, bellies from +10.1% in Belgium to 22.1% in Germany. Fat, jowls, trimmings, after surging in the second half of 2011, remain very expensive on an historical basis. For example, backfat increased from 55% in Spain to 78% in France.

During the first quarter of 2012, European chicken carcass prices decreased slightly but remained close to their record levels from the previous year. Year to date , they are trading +2.7%, +3.4%, +9.1% and -4.0% respectively in France, UK, Spain and Poland. In all the main EU producer country, production is increasing as a consequence of the record 2011 prices. Exports to third countries are still increasing (+18.2%) boosted by higher demand from Russia, Ukraine and Middle Easter countries (Saudi Arabia, UAE) and reached 238,067 metric tons. EU27 poultry imports are unchanged compared the same period last year (123,742 tons, up+0.6%)

The pork and chicken meat market trends stated above affected Campofrio Food Group raw material costs only indirectly. First, the Company purchases pork and poultry cuts in different proportions, each one following its own supply and demand dynamics. During Q1 2012, the average meat price purchased by the Company increased 3.9% versus prior year levels. Second, and more importantly, the cost of goods sold of long-cycle products (cured products) reflects evolutions in raw material prices with a lag time which can vary between 6 and 24 months.

***Results of Operations***

**Comparison of the three month period ended March 31, 2012 and the three month period ended March 31, 2011**

**Operating Revenues**

The following table sets forth a detailed breakdown of our operating revenues for the three month period ended March 31, 2012 and March 31, 2011.

| **Operating revenues** | **Three month period ended March 31,** | | | |
|---|---|---|---|---|
| | **2012** | | **2011** | |
| | **Actual (unaudited)** | % of total oper. revenues | **Actual (unaudited) (restated)** | % of total oper. revenues |
| Net sales and services | 447,413 | 94.8% | 371,254 | 93.8% |
| *% increase in Net Sales and Services* | *20.5%* | | | |
| Increase in inventories of finished goods and work in progress | 20,131 | 4.3% | 20,272 | 5.1% |
| Capitalized expenses on Company's work on assets | 1,519 | 0.3% | 1,004 | 0.3% |
| Other operating revenue | 2,766 | 0.6% | 3,318 | 0.8% |
| **Total operating revenues** | **471,829** | **100,0%** | **395,848** | **100.0%** |
| *% increase in total operating revenues* | *19.2%* | | | |

Operating revenues increased by 19.2% to €471.8 million for the three month period ended March 31, 2012 from €395.8 million for the same period of 2011. Net sales increased by 20.5% to €447.4 million for the three month period ended March 31, 2011 from €371.3 million in the same period of 2011, increase mainly attributable to Fiorucci integration to the Group which if not considered, total net sales and services increased by 3.1%. Other operating revenues decrease is mainly attributable to lower operating grants received. Capitalized expenses on Company's work on assets are mainly related the new ERP deployment.

## Operating Expenses

The following table sets forth a detailed breakdown of operating expenses for the three month period ended March 31, 2012 and March 31, 2011

| **Operating expenses** | **Three month period ended March 31,** | | | |
|---|---|---|---|---|
| | **2012** | | **2011** | |
| | **Actual (audited)** | % of total oper. revenues | **Actual (audited) (restated)** | % of total oper. revenues |
| Consumption of goods and other external charges | (259,372) | (55.0%) | (211,369) | (53.4%) |
| Employee benefits expense | (88,855) | (18.8%) | (79,677) | (20.1%) |
| Depreciation and amortization | (14,951) | (3.2%) | (12,331) | (3.1%) |
| Other operating expenses | (89,215) | (18.9%) | (71,116) | (18.0%) |
| Changes in trade provisions | (470) | (0.1%) | (478) | (0.1%) |
| **Total operating expenses** | **(452,863)** | **(96.0%)** | **(374,971)** | **(94.7%)** |
| *% increase in total operating expenses* | *20.8%* | | | |

Operating expenses increased by 20.8% to €452.9 million for the three month period ended March 31, 2012 from €375.0 million for the same period of 2011. Operating expenses constituted 96.0% and 94.7% of total operating revenues for the three month period ended March 31, 2012 and 2011, respectively. The increase in operating expenses was primarily attributable to the incorporation of Fiorucci since April 2011. Without considering Fiorucci, the increase in the periods under comparison is reduced to a 3.6%.

### *Consumption of Goods and Other External Charges*

Consumption of goods and other external charges increased by 22.7% to €259,4 million for the three month period ended March 31, 2012 from €211.4 million for the same period of 2011. Consumption of goods and other external charges constituted 55.0% and 53.4% in percentage of total operating revenues for the three month period ended March 31, 2012 and 2011, respectively. If considered together with the increase in inventories of finished goods and work in progress included in Operating Revenues, net consumptions of goods and other external charges increased by 25.2%. Without considering Fiorucci, this increase is reduced to a 6.1% increase derived from higher activity and higher raw material prices during the three month period ended March 31, 2012 versus the same period of 2011.

### *Employee Benefits Expenses*

Employee benefits expenses increased by 11.5% to €88.9 million for the three month period ended March 31, 2012 from €79.8 million for the same period of 2011. Excluding Fiorucci impact, the increase is 2.5%. Employee benefits expenses constituted 18.8% and 20.1% in percentage of total operating revenues for 2012 and 2011, respectively.

***Depreciation and Amortization***

Depreciation and amortization increased by 21.2% to €15.0 million for the three month period ended March 31, 2012 from €12.3 million for the same period of 2011. Depreciation and amortization represented 3.2% and 3.1% in percentage total operating revenues for 2012 and 2011, respectively.

***Other Operating Expenses***

Other operating expenses increased 25.4% to €89.2 million for the three month period ended March 31, 2012 from €71.1 million for the same period of 2011. Without considering Fiorucci contribution, the increase is reduced to a 5.2% increase, due to higher activity and productivity programmes**.**

**Finance and Tax Expenses**

***Finance Revenue and Finance Costs***

Net finance cost has increased by €3.9 million for the three month period ended March 31, 2012, from €10 million in the same period 2011 to €13.9 million in 2012 mainly due to our acquisition in Italy in 2011 which has been financed with cash and a new bank facility.

***Income Tax Expenses***

Income tax amounted to €2.5 million for the three month period ended March 31, 2012, due to the change of the Company's consolidation perimeter. The 51,8% effective tax rate in 2012 is hardly comparable to the €0.8 million tax expense and the equivalent effective tax rate of 9,7% for the same period in 2011.

***Result from Discontinued Operations***

For the three month period ended March 31, 2012 and 2011, Results from Discontinued Operations amounted €3.0 million loss and €5.2 million loss, respectively. Results from Discontinued Operation are comprised mainly of our French cooked business after tax net results. In 2012, Results from Discontinued Operations include those generated until March 12, date in which Jean Caby transaction was completed.

***Profit (Loss) for the Period***

Profit (Loss) for the Period amounted €0.6 million loss in the three month period ended March 31, 2012, compared to a €2.8 million gain in the same period of 2011.

***Operating Segment Reporting***

| Net sales and services | Three month period ended March 31, 2012 Actual (audited) | % of total | 2011 Actual (audited) (restated) | % of total |
|---|---|---|---|---|
| Southern Europe [1] | 262,034 | 58.6% | 195,781 | 52.7% |
| Northern Europe [2] | 191,930 | 42.9% | 179,995 | 48.5% |
| Others [3] | 11,504 | 2.6% | - | - |
| Eliminations [4] | (18,055) | (4.0%) | (4,522) | (1.2%) |
| **Total net sales and services** | **447,413** | **100,0%** | **371,254** | **100,0%** |

| EBITDA (normalized) | Three month period ended March 31, 2012 Actual (unaudited) | % of total | 2011 Actual (unaudited) (restated) | % of total |
|---|---|---|---|---|
| Southern Europe [1] | 17,992 | 53.1% | 16,592 | 50.6% |
| Northern Europe [2] | 14,817 | 43.7% | 17,165 | 52.3% |
| Others [3] | 1,099 | 3.2% | (948) | (2.9%) |
| **Total EBITDA** | **33,907** | **100,0%** | **32,809** | **100,0%** |
| **% EBITDA normalized margin over Net Sales** | | | | |
| Southern Europe | 6.9% | | 8.5% | |
| Northern Europe | 7.7% | | 9.5% | |
| Others | 9.6% | | n.a. | |
| **Total EBITDA** | **7.6%** | | **8.8%** | |

[1] Southern Europe includes operating activities mainly managed in Spain, Portugal and Italy in 2011, which includes our fresh meat operations.

[2] Northern Europe includes operating activities managed primarily in France, the Netherlands, Belgium and Germany.

[3] Other includes operating activities managed in the USA and corporate activities.

[4] Intercompany sales between segments which are eliminated during consolidation.

***Southern Europe***

Net sales in Southern Europe increased by 34%, of which, much is attributable to the incorporation of the Italian operating company Fiorucci in April 2011. Excluding the contribution of Fiorucci Italy, net sales growth is 6.2% on last year, which has been achieved in a context of challenging macroeconomic conditions thanks to the focus on innovation, brand building and improved mix.

EBITDA in Southern Europe increased €1.4 million to €18.0 million in the three month period ended March 31, 2012 from €16.6 million in the same period last year. Excluding the contribution of Fiorucci Italy, EBITDA growth is 4.6% on last year.

Margin over net sales for the three month period ended March 31, 2012 was 6.9% showing a decrease over previous period of 162 basis points, although this is mainly due to the lower margins in Fiorucci. EBITDA margin excluding Fiorucci is only 13bp below, thanks to pricing/value actions and focus on value creation via innovation, brand building and improved mix, together with continuous improvement from global sourcing (European meat platform) and other productivity measures.

***Northern Europe***

Net Sales in Northern Europe increased by 6.6%, to €192 million in the three month period ended March 31, 2012 from €180 million in the same period last year. Growth is driven by focus on brand building and improved mix.

EBITDA in Northern Europe decreased €2.8 million to €14.8 million in the three month period ended March 31, 2012, from €17.6 in the same period last year.

Margin over net sales for the three month period ended March 31, 2012 was 7.7% showing a decrease over previous period of 204 basis points. Although in Q1 2012 hams and shoulders are slowing down, other cuts (especially those used in dry sausages and hotdogs) are still going up, and due to the product mix Northern Europe is more affected by this thaann Southern Europe. The impact of materials price increases is partially compensated by results of pricing/value actions and focus on value creation via innovation, brand building and improved mix, together with continuous improvement from global sourcing (European meat platform) and other productivity measures.

***Others***

The "Others" segment mainly refers to corporate costs in the headquarters and business in USA which is making good progress with product innovation and gaining important new accounts.

**Cash Flow**

***Cash Flows from Operating Activities***

For the three month period ended March 31, 2012, cash flow from operating activities amounted to €22.2 million versus €35.7 million for the same period in 2011. This variance was primarily attributable to higher payments related to income tax, interest expenses and provision and pension together with lower other collection.

***Cash Used in Investing Activities***

For the three month period ended March 31, 2012, cash flow from investing activities amounted to a negative €13.2 million, compared to a negative €3.4 million for the same period in 2011. Capital Expenditures amounted to €11.3 million in the three month period ended March 31, 2012 and €6.2 million in the same period last year. This variance was primarily attributable to the investment on a new ERP (SAP).

***Cash Flow from Financing Activities***

For the three month period ended March 31, 2012, cash flow from financing activities amounted to a €2.9 million compared to a negative €6.8 million for the same period last year. The cash flow from financing activities for the three month period ended March 31, 2011 included payments related to the purchase of the remaining minority interests in Jamones Burgaleses (Spain).

## RECENT DEVELOPMENTS

Campofrio Food Group's ambition to become one of Europe's leading food companies is driven by a strategy which reflects current and anticipated consumer preferences and customer requirements. Based on these trends, the Group continues to adapt to the evolving market requirements. In this regard, Campofrio Food Group also announced with its FY 2011 results, an important increase in its investments for the future. This program includes new investments in marketing, product and technologies development, channel and geographic expansion, productivity and customer service. The company anticipates funding this program, which is expected to be deployed over the next 3 years, from its operating cash flow.

## ANNEXE A – EXPLANATION OF INCOME STATEMENT ITEMS

***Operating Revenues***

Operating revenues consist of net sales and services, increases in inventories of finished goods and work in progress, capitalized expenses of company work on assets and other operating revenues.

*Net Sales and Services*

Our net sales and services consists primarily of the sales of dry, cooked and other meats products, after deduction of rebates and off invoice discounts.

*Increase in Inventories of Finished Goods and Work in Progress*

Increase in inventories of finished goods and work in progress includes the positive variation between the closing and opening value of finished products and work in progress.

*Capitalized Expenses of Company Work on Assets*

Capitalized expenses of Company work on assets includes personnel costs for staff engaged in facility development and construction and personnel expenses in connection with tangible and intangible assets. Capitalized staff costs are added to the carrying amount for the related asset in property, plant and equipment and amortized over their useful life.

*Other Operating Revenues*

Other operating revenues include other income not related to our core activities, such as capital grants release and operating grants.

***Operating Expenses***

Operating expenses consist of decrease in inventories of finished goods and work in progress, consumption of goods and other external charges, employee benefits expense, depreciation and amortization, changes in trade provisions and other operating expenses.

*Decrease in Inventories of Finished Goods and Work in Progress*

Decrease in inventories of finished goods and work in progress includes the negative variation between the closing and opening value of finished products and work in progress.

*Consumption of Goods and Other External Charges*

Consumption of goods and other external charges includes primary purchases of raw material, mainly meats, and other product components such as packaging, spices and other auxiliary materials. This item also includes the stock variation of such materials.

*Employee Benefits Expense*

Employee benefits expense includes wages and salaries, dismissal indemnities, social security costs and other employee benefits such as health and life insurance.

*Depreciation and Amortization*

Depreciation and amortization includes property, plant and equipment depreciation charges, amortization of other intangible assets with definitive useful life, such as operating software. Costs of property, plant and equipment in use are depreciated on a straight-line basis at annual rates based on the estimated useful life of the assets.

*Changes in Trade Provisions*

Changes in trade provisions include mainly changes in trade allowances and reversal from doubtful debtors. Also accounted for in this line item generally, are specific, non-recurring items that are not related to our ordinary business activities.

*Other Operating Expenses*

Other operating expenses include all other operating expenses, including services expenses, transport cost, utilities, energies, advertising, marketing and general expenses.

***EBIT***

EBIT is equal to operating revenues less operating expenses.

***Net Finance Cost***

Net finance cost includes finance revenue and finance costs. Finance revenue consists of income on loans and other marketable securities, other interest and similar income, exchange rate gains and changes in fair value of financial instruments. Finance cost consists of interest bearing loans and borrowings, other finance costs and exchange losses.

*Income on Loans and other Marketable Securities*

Income on loans and other marketable securities consists principally of interest from deposits.

*Exchange Rate Gains and Losses*

This item includes gains and losses from the variation on financial liabilities denominated in US dollars, which is partially offset by the existing cash flow hedge accounting, and also includes, to a lesser extent gains and losses from the trading generated by accounts payable and receivables denominated in currencies other than euro.

*Change in Fair Value of Financial Instruments*

Change in fair value of financial instruments includes gains and losses from the variation in the fair value of financial instruments that do not qualify for cash flow hedge accounting.

***Impairment of Assets***

Impairment of assets includes losses recognized when the recoverable amount of non current-assets is lower than their carrying value. The recoverable value is defined as the higher of the net fair market value or the value in use of each non-current asset.

***Share of Profit (Losses) of Investments Accounted for Using the Equity Method***

Results of companies accounted for using the equity method include investments in associates over which we exercise significant influence but which are neither subsidiaries nor jointly controlled entities. Investments are measured initially at acquisition cost, subsequently adjusted for changes to each company's equity, taking into consideration the percentage of ownership and any impairment.

***Income Taxes***

Income taxes consist of current tax payable on the taxable profit for the year and deferred tax. The corporate tax rate in Spain was 35% in 2006, 32.5% in 2007 and 30% in 2008.

***Profit (loss) from Discontinued Operations***

Profit (loss) from discontinued operations represents profit or loss for the year attributable to discontinued operations.