



CAMPOFRIO FOOD GROUP

UNAUDITED INTERIM SELECTED
CONSOLIDATED FINANCIAL INFORMATION
SIX MONTH PERIOD ENDED 30th JUNE 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)

	Six month ended June 30,			
	2012		2011	
	Actual (unaudited)	% of total oper. revenue	Actual (unaudited) (restated)	% of total oper. revenues
Operating revenues				
Net sales and services	910,363	96.6%	834,880	96.6%
Increase in inventories of finished goods and work in progress	23,668	2.5%	22,821	2.6%
Capitalized expenses on Company's work on assets	3,544	0.4%	1,930	0.2%
Other operating revenue	4,851	0.5%	4,774	0.6%
<u>Total operating revenues</u>	<u>942,426</u>	<u>100.0%</u>	<u>864,405</u>	<u>100.0%</u>
Operating expenses				
Consumption of goods and other external charges	(516,733)	(54.8%)	(466,409)	(54.0%)
Employee benefits expense	(175,053)	(18.6%)	(165,158)	(19.1%)
Depreciation and amortization	(29,995)	(3.2%)	(27,478)	(3.2%)
Other operating expenses	(184,223)	(19.5%)	(160,507)	(18.6%)
Changes in trade provisions	(937)	(0.1%)	(1,467)	(0.2%)
<u>Total operating expenses</u>	<u>(906,941)</u>	<u>(96.2%)</u>	<u>(821,019)</u>	<u>(95.0%)</u>
Operating profit	35,485	3.8%	43,386	5.0%
Financial expenses, net	(28,172)	(3.0%)	(25,079)	(2.9%)
Other results	(2,685)	(0.3%)	(1,940)	(0.2%)
Profit before tax	4,628	0.5%	16,367	1.9%
Income taxes	(756)	(0.1%)	(1,194)	(0.1%)
Profit for the period from continuing operations	3,872	0.4%	15,173	1.8%
Profit & (Loss) after tax for the period from discontinued operations	(2,915)	(0.3%)	(11,677)	(1.4%)
Profit for the period	957	(0.1%)	3,496	0.4%
Non-controlling interests			-	-
Attributable to equity holders of the parent company	957	(0.1%)	3,496	0.4%

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

CONSOLIDATED INCOME STATEMENT

Campofrio Food Group

(In Thousands of Euros)

	Three month ended June 30,			
	2012		2011	
	Actual (unaudited)	% of total oper. revenue	Actual (unaudited) (restated)	% of total oper. revenues
Operating revenues				
Net sales and services	462,950	98.4%	463,626	98.9%
Increase in inventories of finished goods and work in progress	3,537	0.8%	2,549	0.5%
Capitalized expenses on Company's work on assets	2,025	0.4%	926	0.2%
Other operating revenue	2,085	0.4%	1,456	0.3%
<u>Total operating revenues</u>	<u>470,597</u>	<u>100.0%</u>	<u>468,557</u>	<u>100.0%</u>
Operating expenses				
Consumption of goods and other external charges	(257,361)	(54.7%)	(255,040)	(54.4%)
Employee benefits expense	(86,198)	(18.3%)	(85,481)	(18.2%)
Depreciation and amortization	(15,044)	(3.2%)	(15,147)	(3.2%)
Other operating expenses	(95,008)	(20.2%)	(89,391)	(19.1%)
Changes in trade provisions	(467)	(0.1%)	(989)	(0.2%)
<u>Total operating expenses</u>	<u>(454,078)</u>	<u>(96.5%)</u>	<u>(446,048)</u>	<u>(95.2%)</u>
Operating profit	16,519	3.5%	22,509	4.8%
Financial expenses, net	(14,226)	(3.0%)	(14,048)	(3.0%)
Other results	(2,578)	(0.5%)	(952)	(0.2%)
Profit before tax	(285)	0.1%	7,509	1.6%
Income taxes	1,791	(0.4%)	(333)	(0.1%)
Profit for the period from continuing operations	1,506	0.3%	7,177	1.5%
Profit & (Loss) after tax for the period from discontinued operations	67	0.0%	(6,432)	(1.4%)
Profit for the period	1,573	0.3%	745	0.2%
Non-controlling interests			-	-
Attributable to equity holders of the parent company	1,573	0.3%	745	0.2%

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,	
	Jun 30, 2012	Jun 30, 2011
	Actual (unaudited)	Actual (unaudited)
<u>ASSETS</u>		
Property, plant and equipment	568,125	631,943
Goodwill	456,551	457,937
Other intangible assets	264,139	265,029
Non-current financial assets	28,247	28,527
Investments accounted for under the equity method	13,647	6,488
Deferred tax assets	121,452	81,745
Other non-current assets	-	160
<u>Total non-current assets</u>	<u>1,452,161</u>	<u>1,471,829</u>
Inventories	355,857	369,580
Trade and other receivables	186,761	214,406
Other current financial assets	385	1,285
Other current assets	6,742	6,819
Cash and cash equivalents	136,328	119,092
<u>Total current assets</u>	<u>686,073</u>	<u>711,182</u>
<u>Assets classified as held for sale and discontinued operations</u>	<u>4,652</u>	<u>777</u>
<u>TOTAL ASSETS</u>	<u>2,142,886</u>	<u>2,183,788</u>
<u>EQUITY AND LIABILITIES</u>		
Equity attributable to equity holders of the parent	580,112	637,410
Equity attributable to minority interests	-	-
<u>Equity</u>	<u>580,112</u>	<u>637,510</u>
Debentures	489,563	487,229
Interest-bearing loans and borrowings	90,512	100,177
Other financial liabilities	4,382	22,223
Deferred tax liabilities	170,119	172,787
Other non-current liabilities	16,151	18,811
Provisions	107,183	69,007
<u>Total non-current liabilities</u>	<u>877,910</u>	<u>870,234</u>
Debentures	6,875	6,875
Interest-bearing loans and borrowings	29,408	11,656
Trade and other payables	550,118	568,683
Other financial liabilities	6,441	1,643
Creditor for income tax	3,970	2,097
Provisions	31,463	3,816
Other current liabilities	56,240	81,270
<u>Total current liabilities</u>	<u>684,515</u>	<u>676,040</u>
<u>Liabilities associated to operations on sale or discontinued</u>	<u>349</u>	<u>4</u>
<u>TOTAL EQUITY AND LIABILITIES</u>	<u>2,142,886</u>	<u>2,183,788</u>

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

CONSOLIDATED CASH FLOW STATEMENT

Campofrio Food Group
(In Thousands of Euros)

	Six month ended Jun 30,	
	2012	2011
	Actual (unaudited)	Actual (unaudited)
Operating flows before changes in working capital	67,119	66,516
Changes in working capital	(2,622)	28,991
Cash flows from operating activities	64,497	95,507
Net interest expenses	(26,640)	(23,737)
Provision and pensions payment	(15,000)	(4,186)
Income tax paid	(6,132)	(5,372)
Other collection and payments	-	4,280
Net cash flows from operating activities	16,725	66,492
Investments in property, plant and equipment	(22,611)	(22,482)
Investment in Group companies	(1,970)	(28,741)
Other cash flows from investing operations, net	770	3,569
Net cash flows from investing activities	(23,811)	(47,654)
Changes in current financial assets and liabilities	5,221	(37,413)
Changes in non-current financial assets and liabilities	-	(25,868)
Purchase of non-controlling interest	-	(5,755)
Purchase of treasury shares and Dividend payments	(1,224)	16
Net cash flows from financing activities	3,997	(69,020)
Net increase/(decrease) in cash and cash equivalents	(3,089)	(50,182)
Cash and cash equivalents at beginning of period	139,417	169,274
Cash and cash equivalents at end of period	136,328	119,092
	Three month ended Jun 30,	
	2012	2011
	Actual (unaudited)	Actual (unaudited)
Operating flows before changes in working capital	32,782	34,297
Changes in working capital	(3,626)	27,602
Cash flows from operating activities	29,156	61,899
Net interest expenses	(23,880)	(23,369)
Provision and pensions payment	(8,919)	(2,127)
Income tax paid	(1,822)	(5,181)
Other collection and payments	-	(227)
Net cash flows from operating activities	(5,465)	30,995
Investments in property, plant and equipment	(11,316)	(16,315)
Investment in Group companies	(10)	(28,741)
Other cash flows from investing operations, net	715	848
Net cash flows from investing activities	(10,611)	(44,208)
Changes in current financial assets and liabilities	1,664	(38,074)
Changes in non-current financial assets and liabilities	-	(24,368)
Purchase of non-controlling interest	-	-
Purchase of treasury shares and Dividend payments	(538)	66
Net cash flows from financing activities	1,126	(62,376)
Net increase/(decrease) in cash and cash equivalents	(14,950)	(75,589)
Cash and cash equivalents at beginning of period	151,278	194,681
Cash and cash equivalents at end of period	136,328	119,092

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

	Six month ended June 30,	
	2012	2011
	Actual (unaudited)	Actual (unaudited) (restated)
Profit for the period Attributable to equity holders of the parent company	957	3,496
Profit for the period Attributable to Non-controlling interests	-	-
Profit & (Loss) after tax for the period from discontinued operations	2,915	11,677
Income taxes	756	1,194
Other results	2,685	1,940
Financial expenses, net	28,172	25,079
Impairment of assets	-	-
Depreciation and amortization	29,995	27,478
<u>EBITDA</u>	<u>65,480</u>	<u>70,864</u>
<u>Total Adjustments</u>	<u>40</u>	<u>193</u>
<u>EBITDA (normalized)</u>	<u>65,520</u>	<u>71,057</u>

Conciliation from Profit for the period to EBITDA normalized

	Three month ended June 30,	
	2012	2011
	Actual (unaudited)	Actual (unaudited) (restated)
Profit for the period Attributable to equity holders of the parent company	1,573	745
Profit for the period Attributable to Non-controlling interests	-	-
Profit & (Loss) after tax for the period from discontinued operations	(67)	6,432
Income taxes	(1,791)	333
Other results	2,578	952
Financial expenses, net	14,226	14,048
Impairment of assets	-	-
Depreciation and amortization	15,044	15,147
<u>EBITDA</u>	<u>31,563</u>	<u>37,656</u>
<u>Total Adjustments</u>	<u>50</u>	<u>592</u>
<u>EBITDA (normalized)</u>	<u>31,613</u>	<u>38,248</u>

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 Kingdom, 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 unaudited Interim Condensed Consolidated Financial Statements for the six-month period ended June 30, 2012 and 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.

At December 31, 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 non-current assets and liabilities held for sale, following its decision to discontinue this activity and actively engage in its sale, which finally was carried out in March 2012. The parent also decided to suspend its pig breeding and fattening activity in Spain, carried out by the subsidiary La Montanera S.A. The results from the activity of both companies for the six-month period ended June 30, 2012 have been reclassified to "Net loss for the period from discontinued operations" (see Corporate Information section regarding cooked ham business in France). The separate income statement for the six-month period ended June 30, 2011 has also been restated to reflect this same reclassification.

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 June 30, 2012 and 2011 (see Corporate Information section regarding cooked ham business in France).

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 have been allocated across the different segments. Prior year information has been restated for comparison purposes.

Net Financial Debt, Liquidity and Capital Resources

The following chart sets forth the Company's debt position as of June 30, 2012 and June 30, 2011.

NET FINANCIAL DEBT	Six month ended June 30,	
	2012	2011
<u>Non-current financial debt</u>		
Debentures	489,563	487,229
Interest-bearing loans and borrowings	90,512	100,177
Other financial liabilities	4,382	22,223
<u>Current financial debt</u>		
Debentures	6,875	6,875
Interest-bearing loans and borrowings	29,408	11,656
Other financial liabilities	6,441	1,643
<u>Current financial assets</u>		
Other current financial assets	(385)	(1,285)
Cash and cash equivalents	(136,328)	(119,092)
<u>Total Net Financial Debt</u>	<u>490,468</u>	<u>509,426</u>

Our present debt structure consists of the Notes issued in 2009 which account for €489.6 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's balance sheet.

Net financial debt of € 490.5 million as of June 30, 2012 is lower than at the end of June 2011 showing our capacity to generate positive cash flow after funding our selective investments and projects.

The Company's liquidity position remained very solid and amounted to €328 million at the end of June 2012, consisting of €136 million in cash and cash equivalents and €192 million of fully available bank lines. In addition, Fiorucci is contributing €20 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 June 30, 2012 and June 30, 2011.

<u>Debentures</u>	Consolidated position at	
	30/06/2012	30/06/2011
Non-current debentures	489,563	487,229
Current debentures	6,875	6,875
Principal	-	-
Accrued interest	6,875	6,875
<u>Total debentures</u>	<u>496,438</u>	<u>494,104</u>

<u>Interest-bearing loans and borrowings</u>	Consolidated position at	
	<u>30/06/2012</u>	<u>30/06/2011</u>
Bank loans and credit facilities	116,435	107,863
Credit lines	116,435	107,863
Multicurrency credit line	-	-
Discounted bills payable	1,797	1,875
Interest payable	1,688	2,095
<u>Total</u>	<u>119,920</u>	<u>111,833</u>

The following table sets forth the situation of the Company's current and non-current other financial liabilities as of June 30, 2012 and June 30, 2011.

<u>Other financial liabilities</u>	Consolidated position at			Consolidated position at		
	<u>30/06/2012</u>			<u>30/06/2011</u>		
	<u>Non-current</u>	<u>Current</u>	<u>Total</u>	<u>Non-current</u>	<u>Current</u>	<u>Total</u>
Financial leases	1,429	642	2,071	1,712	726	2,438
Other financial liabilities	2,733	5,799	8,532	2,487	917	3,404
Derivatives	220	-	220	18,024	-	18,024
<u>Total</u>	<u>4,382</u>	<u>6,441</u>	<u>10,823</u>	<u>22,223</u>	<u>1,643</u>	<u>23,866</u>

The following table sets forth the situation of the Company's financial derivatives as of June 30, 2012 and 2011.

<u>Fair value situation</u>	Fair value at		December 2011 Outstanding notional principal			
	<u>30/06/2012</u>	<u>31/12/2011</u>	<u>Notional</u>	<u>2012</u>	<u>2013</u>	<u>2015</u>
Cash flow hedge	(220)	74	9,454	9,454	-	-
Derivatives held for trading	-	-	-	-	-	-
Swaps	-	-	-	-	-	-
Reverse swaps	-	-	-	-	-	-
<u>Total</u>	<u>(220)</u>	<u>74</u>				

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 *Campofrio* 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 six month period ended June 30, 2012, the Company had Net Sales and Services and Reported EBITDA of €910.4 million and €65.5 million, respectively. It generates most 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 June 30, 2012, the Company had a market capitalization of € 616.4 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	Six month ended June 30,			% 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

Grain prices in Europe continue to be negatively impacted by the drought in USA. With the hottest July in the 118-year history of US records, the outlook for US row crop production is being revised down with each passing month. In EU27, the forecast for 2012/13 grain production is pegged at 279 million (-2.1%), with increased plantings (+1%) offset by lower average yields (-3%) on high levels of precipitations in France, Germany, UK and Poland during the period May to July. Grain quotations are trading at record levels in international markets. EU27 wheat, barley and corn prices have risen 10% to 15% in the past 3 months, and more than 30% against last year's summer levels.

The historically high grain prices in Europe will surely reduce the profitability of pig producers in Europe. Hence, EU pork farmers are expected to manage their losses by further lowering sow herds (-3.1% in Dec 2010 survey, -4.8% in May-June 2011 survey, -3.4% in December 2011) in the coming 2 quarters. These decisions impact pork meat output with a 10 to 12 months delayed effect. The soon to be released Spring/Summer 2012 EU27 pig population survey will shed more light on future pork meat output.

During the first semester 2012, EU27 pork production decreased -1.4%, with significant variability among the main European countries. While output dropped in Germany (-0.5%), France (-

0.8%), Netherlands (-0.4%), Denmark (-5.2%), Belgium (-1.8%) and Poland (-25.2%), it was most of it offset by improvements in Spain (+5.7%), Italy (+5.5%) and United Kingdom (+5.5%).

Last year, EU27 countries exported 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 5 months in 2012, EU27 shipments to third countries slowed down to +4.7%. They are expected to end the year with slightly lower levels than the previous year. For the same period, China demand is up +37% and overall Asian demand +6.5%. For the second consecutive year, China remains the largest client of EU27 trade bloc. In parallel, European neighbour countries (Croatia, Belarus and Ukraine) have more than offset the drop from Russia (-6%).

Overall, EU pig carcass prices traded at their highest levels in the last 10 years. Their evolution reflected the heterogeneous supply conditions in the main producer countries. During the first semester 2012, the pork quotation rose only 1.9% in Spain, while in the rest of Europe displayed increases from +8% to 15%.

The value of hams decreased -2.6% to -7.4% 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 +1.8% to +15.7%, bellies from +9.3% in Belgium to 17.2% 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 +57% in Spain to +60% in France.

During the first semester of 2012, European chicken carcass prices increased slightly but remained close to their record levels from the previous year. Year to date, they are trading +1.9%, +2.9%, +5.2% and -0.9% 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 (+8%) boosted by higher demand from Russia, Ukraine and Middle Eastern countries (Saudi Arabia, UAE) and reached 506,120 metric tons. EU27 poultry imports dropped slightly compared the same period last year (317,985 tons, down -3.0%).

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 H1 2012, the average meat price purchased by the Company increased +2.8% 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 six month period ended June 30, 2012 and the six month period ended June, 2011

Operating Revenues

The following table sets forth a detailed breakdown of our operating revenues for the six month period ended June 30, 2012 and June, 2011.

Operating revenues

	Six month ended June 30,			
	2012		2011	
	Actual (unaudited)	% of total oper. revenues	Actual (unaudited) (restated)	% of total oper. revenues
Net sales and services	910,363	96.6%	834,880	96.6%
<i>% increase in Net Sales and Services</i>	9.0%			
Increase in inventories of finished goods and work in progress	23,668	2,5%	22,821	2,6%
Capitalized expenses on Company's fixed assets	3,544	0.4%	1,930	0.2%
Other operating revenue	4,851	0.5%	4,773	0.6%
Total operating revenues	942,426	100,0%	864,404	100,0%
<i>% increase in total operating revenues</i>	9.0%			

Operating revenues increased by 9.0% to €942.4 million for the six month period ended June 30, 2012 from €864.4 million for the same period of 2011. Net sales increased by 9.0% to €910.4 million for the six month period ended June 30, 2012 from €834.9 million in the same period of 2011, increase mainly attributable to Fiorucci integration to the Group since April 2011. Without considering Fiorucci contribution in the first quarter of 2012, total net sales and services increased by 1.3%. Capitalized expenses on Company's fixed assets increased by 84% to €3.5 million for the six month period ended June 30, 2012 from €1.9 million for the same period of 2011, increase attributable to the new ERP project.

Operating Expenses

The following table sets forth a detailed breakdown of operating expenses for the three month period ended June 30, 2012 and June 30, 2011

Operating expenses

	Six month ended June 30,			
	2012		2011	
	Actual (audited)	% of total oper. revenues	Actual (audited) (restated)	% of total oper. revenues
Consumption of goods and other external charges	(516,733)	(54.8%)	(466,409)	(54.0%)
Employee benefits expense	(175,053)	(18.6%)	(165,158)	(19.1%)
Depreciation and amortization	(29,995)	(3.2%)	(27,478)	(3.2%)
Other operating expenses	(184,223)	(19.5%)	(160,507)	(18.6%)
Changes in trade provisions	(937)	(0.1%)	(1,467)	(0.2%)
Total operating expenses	(906,941)	(96,2%)	(821,019)	(95,0%)
<i>% increase in total operating expenses</i>	10.5%			

Operating expenses increased by 10.5% to €906.9 million for the six month period ended June 30, 2012 from €821.0 million for the same period of 2011. Operating expenses constituted 96.2% and 95.0% of total operating revenues for the six month period ended June 30, 2012 and 2011, respectively. The increase in total operating expenses was primarily attributable to Fiorucci Group integration to the Consolidated Income Statement since April 2011. Without considering Fiorucci contribution to the first quarter 2012, the increase in the periods under comparison is reduced to a 2.6%.

Consumption of Goods and Other External Charges

Consumption of goods and other external charges increased by 10.8% to €516.7 million for the six month period ended June 30, 2012 from €466.4 million for the same period of 2011. Consumption of goods and other external charges constituted 54.8% and 54.0% in percentage of total operating revenues for the six month period ended June 30, 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 11.2%. Without considering Fiorucci contribution in the first quarter 2012, this increase is reduced to a 2.9% increase derived from higher raw material prices during the six month period ended June 30, 2012 versus the same period of 2011.

Employee Benefits Expenses

Employee benefits expenses increased by 6.0% to €175.1 million for the six month period ended June 30, 2012 from €165.2 million for the same period of 2011. Excluding Fiorucci contribution to the first quarter of 2012, employee benefit expenses decreased by 0.8% impacted by cost reduction programmes initialized on late 2011. Employee benefits expenses constituted 18.6% and 19.1% in percentage of total operating expenses for 2012 and 2011, respectively.

Depreciation and Amortization

Depreciation and amortization increased by 9.2% to €30.0 million for the six month period ended June 30, 2012 from €27.5 million for the same period of 2011. Depreciation and amortization represented 3.2% in percentage total operating revenues for both periods under comparison.

Other Operating Expenses

Other operating expenses increased by 14.8% to €184.2 million for the six month period ended June 30, 2012 from €160.5 million for the same period of 2011. Without considering Fiorucci contribution to the first quarter of 2012, the increase is reduced to a 5.8% increase, explained by higher marketing expenses and utilities cost.

Finance and Tax Expenses

Finance Revenue and Finance Costs

Net finance cost has increased by €3.1 million for the six month period ended June 30, 2012, from €25.1 million in the same period 2011 to €28.2 million in 2012 mainly due to our acquisition in Italy in April 2011 which has been financed with cash and a new bank facility.

Income Tax Expenses

Income tax amounted to €0.7 million for the six month period ended June 30, 2012, compared to €1.2 million in the same period of 2011. The 16.3% effective tax rate in 2012 is hardly comparable to the 7.3% for the same period in 2011 due to different consolidation perimeters, as well as to certain changes in the applicable tax regulations in some of the countries where the Company operates

Result from Discontinued Operations

For the six month period ended June 30, 2012 and 2011, Results from Discontinued Operations amounted €2.9 million loss and €11.7 million loss, respectively. Results from Discontinued Operation are comprised mainly of our French cooked business after tax net results (see Corporate information).

Profit (Loss) for the Period

Profit (Loss) for the Period amounted €1.0 million gain in the six month period ended June 30, 2012, compared to a €3.5 million gain in the same period of 2011.

Operating Segment Reporting

Net sales and services	Six month ended June 30,			
	2012		2011	
	Actual (unaudited)	% of total	Actual (unaudited) (restated)	% of total
Southern Europe ¹	532,680	58.5%	461,784	55.3%
Northern Europe ²	388,357	42.7%	376,363	45.1%
Others ³	24,520	2.7%	9,286	1.1%
Eliminations ⁴	(35,194)	(3.9%)	(12,553)	(1.5%)
<u>Total net sales and services</u>	<u>910,363</u>	<u>100.0%</u>	<u>834,880</u>	<u>100.0%</u>

EBITDA (normalized)	Six month ended June 30,			
	2012		2011	
	Actual (unaudited)	% of total	Actual (unaudited) (restated)	% of total
Southern Europe ¹	36,232	55.3%	36,683	51.6%
Northern Europe ²	26,730	40.8%	35,564	50.0%
Others ³	2,558	3.9%	(1,190)	(1.7%)
Total EBITDA	65,520	100.0%	71,057	100.0%
% EBITDA normalized margin over Net Sales				
Southern Europe	6.8%		7.9%	
Northern Europe	6.9%		9.5%	
Total EBITDA	7.2%		8.5%	

¹ Southern Europe includes operating activities mainly managed in Spain, Portugal and Italy from April 2011, including 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 15% to €532.7 million for the six month period ended June 30, 2012 from €462.8 million for the same period last year. This increase is to a certain extent attributable to Fiorucci Group which was incorporated to the Group in April 2011 (consolidated income statement figures only include Fiorucci group for the three month period ended June 30, 2011 compared to the full six month period ended June 30, 2012. For comparison purposes, excluding Fiorucci contribution in the three month period ended March 31, 2011, net sales growth is 3.6% for the period under comparison, which has been achieved in a context of challenging macroeconomic conditions as a result of the focus on innovation, brand building and improved mix.

Normalized EBITDA amounted €36.2 million for the six month period ended June 30, 2012 compared to €36.7 million for the same period last year. Excluding the contribution of Fiorucci to the first quarter 2012, EBITDA reduction is 2.7% on last year

Normalized EBITDA margin over net sales for the six month period ended June 30, 2012 was 6.8% showing a decrease over previous period of 113 basis points, although this is mainly due to the lower margins in Fiorucci. Normalized EBITDA margin excluding Fiorucci is only 50bp below, as a result of pricing/value actions and value creation via innovation, brand building and improved mix, together with continuous improvement from global sourcing (European meat platform) and other productivity measures, to counteract inflation in meat costs.

Northern Europe

Net Sales in Northern Europe increased by 3.2%, to €388 million in the six month period ended June 30, 2012 from €376 million in the same period last year. Growth is driven by focus on brand building and improved mix.

The Normalized EBITDA for six month period ended June 30, 2012 of €26.7 is €8.8 million lower than the same period last year. Margin over net sales for the six month period ended June 30, 2012 was 6.9% showing a decrease over previous period of 257 basis points.

Although in 2012 inflation in hams and shoulders are slowing down, other cuts (especially those used in dry sausages) are still going up, and due to the product mix Northern Europe was more affected by this than Southern Europe. The impact of materials price increases was 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 made excellent progress with product innovation and gaining important new accounts.

Cash Flow

Cash Flows from Operating Activities

For the six month period ended June 30, 2012, cash flow from operating activities amounted to €16.7 million versus €66.5 million for the same period in 2011. This variance was primarily attributable to changes in working capital also coming from the company’s perimeter changes.

Cash Used in Investing Activities

For the six month period ended June 30, 2012, cash flow from investing activities amounted to a negative €23.8 million, compared to a negative €47.7 million for the same period in 2011. Capital Expenditures amounted to €22.6 million in the six month period ended June 30, 2012 and €22.5 million in the same period last year. Investment in Group in 2011 showed net cash impact related to the acquisition of Fiorucci.

Cash Flow from Financing Activities

For the six month period ended June 30, 2012, cash flow from financing activities amounted to a €4.0 million compared to €69.0 million for the same period last year. The cash flow from financing activities for the six month period ended June 30, 2011 included payments related to the purchase of the remaining minority interests in Jamones Burgaleses (Spain) and the financing raised and repaid in connection to the acquisition of Fiorucci.

Comparison of the three month period ended June 30, 2012 and the three month period ended June 30, 2011

Operating Revenues

The following table sets forth a detailed breakdown of our operating revenues for the three month period ended June 30, 2012 and June 30, 2011.

Operating revenues	Three month ended June 30,			
	2012		2011	
	Actual (unaudited)	% of total oper. revenues	Actual (unaudited)	% of total oper. revenues
Net sales and services	462,950	98.4%	463,626	98.9%
<i>% increase in Net Sales and Services</i>	<i>-0.1%</i>			
Increase in inventories of finished goods and work in progress	3,537	0.8%	2,549	0.5%
Capitalized expenses on Company's fixed assets	2,025	0.4%	926	0.2%
Other operating revenue	2,085	0.4%	1,456	0.3%
<u>Total operating revenues</u>	<u>470,597</u>	<u>100.0%</u>	<u>468,557</u>	<u>100.0%</u>
<i>% increase in total operating revenues</i>	<i>0.4%</i>			

Operating revenues increased by 0.4% to €470.6 million for the three month period ended June 30, 2012 from €468.6 million for the same period in 2011. Net sales remained flat between periods under comparison, amounting €463.0 million for the three month period ended June 30, 2012 and €463.6 million for the three month period ended June 30, 2011. The increase in “Capitalized expenses on Company’s fixed assets” is mainly related the new ERP developments which rollout face has started in several subsidiaries.

Operating Expenses

The following table sets forth a detailed breakdown of operating expenses for the three month period ended June 30, 2012 and June 30, 2011

	Three month ended June 30,			
	2012		2011	
	Actual (unaudited)	% of total oper. revenues	Actual (unaudited)	% of total oper. revenues
Consumption of goods and other external charges	(257,361)	(54.7%)	(255,040)	(54.4%)
Employee benefits expense	(86,198)	(18.3%)	(85,481)	(18.2%)
Depreciation and amortization	(15,044)	(3.2%)	(15,147)	(3.2%)
Other operating expenses	(95,008)	(20.2%)	(89,391)	(19.1%)
Changes in trade provisions	(467)	(0.1%)	(989)	(0.2%)
Total operating expenses	(454,078)	(96.5%)	(446,048)	(95.2%)
<i>% increase in total operating expenses</i>	<i>1.8%</i>			

Operating expenses increased by 1.8% to €454.1 million for the three month period ended June 30, 2012 from €446.0 million for the same period in 2011. Operating expenses constituted 96.5% and 95.2% of total operating revenues for the three month period ended June 30, 2012 and June 30, 2011, respectively.

Consumption of Goods and Other External Charges

Consumption of goods and other external charges increased by 0.9% to €257.4 million for the three month period ended June 30, 2012 from €255.0 million for the same period in 2011. Consumption of goods and other external charges constituted 54.7% and 54.4% in percentage of total operating revenues for the three month period ended June 30, 2012 and June 30, 2011, respectively. If considered together with the increase in inventories of finished goods and work in progress in Operating Revenues, net consumptions of goods and other external charges increased by 0.5%.

Employee Benefits Expenses

Employee benefits expenses increased by 0.8% to €86,2 million for the three month period ended June 30, 2012 from €85,5 million for the same period in 2011.

Depreciation and Amortization

Depreciation and amortization decrease by 0.7% to €15.0 million for the three month period ended June 30, 2012 from €15.1 for the same period in 2011. Depreciation and amortization represented 3.2% for both periods under comparison.

Other Operating Expenses

Other operating expenses increased by 6.3% to €95.0 million for the three month period ended June 30, 2012 from €89.4 million for the same period of prior year. The increase is related to higher marketing expenses and utilities cost.

Finance and Tax Expenses

Finance Revenue and Finance Costs

Net finance cost increased slightly by €0.2 million in the second quarter from €14.0 million in 2011 to €14.2 million in 2012.

Income Tax

Income tax amounted to €1.8 million income for the three month period ended June 30, 2012, and €0.3 million loss for the three month period ended June 30, 2011. The effective tax rate in 2012 is hardly comparable to the effective tax rate of 4% for the same period in 2011 due to different consolidation perimeters and certain changes in the respective tax regulations in some of the countries where the Company operates.

Result from Discontinued Operations

For the three month period ended June 30, 2012 and 2011, Results from Discontinued Operations amounted €0.1 million gain and €6.4 million loss, respectively. Results from Discontinued Operation are comprised mainly of our French cooked business and the Romanian Operations (see Corporate information).

Profit for the Period

For the three month period ended June 30, 2012, the profit for the period amounted €1.6 million compared to €0.7 million for the same period in 2011.

Operating Segment Reporting

Net sales and services	Three month ended June 30,			
	2012		2011	
	Actual (unaudited)	% of total	Actual (unaudited) (restated)	% of total
Southern Europe ¹	270,645	58.5%	266,003	57.4%
Northern Europe ²	196,427	42.4%	196,368	42.4%
Others ³	13,016	2.8%	9,286	2.0%
Eliminations ⁴	(17,138)	(3.7%)	(8,032)	(1.7%)
Total net sales and services	462,950	100.0%	463,625	100.0%

EBITDA (normalized)	Three month ended June 30,			
	2012		2011	
	Actual (unaudited)	% of total	Actual (unaudited) (restated)	% of total
Southern Europe ¹	18,241	57.7%	20,091	52.5%
Northern Europe ²	11,913	37.7%	18,397	48.1%
Others ³	1,458	4.6%	(240)	(0.6%)
Total EBITDA	31,612	100.0%	38,248	100.0%
% EBITDA normalized margin over Net Sales				
Southern Europe	6.7%		7.6%	
Northern Europe	6.1%		9.4%	
Total EBITDA	6.8%		8.3%	

¹ Southern Europe includes operating activities mainly managed in Spain, Portugal and Italy, including 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 2%, of which, much is attributable to the focus innovation, brand building and improved mix.

Normalized EBITDA in Southern Europe decreased by €1.9 million to €18.2 million in the six month period ended June 30, 2012 from €20.1 million in the same period last year.

Margin over net sales for the six month period ended June 30, 2012 was 6.7% showing a decrease over previous period of 81 basis points, mainly due to the lower margins in Fiorucci where higher marketing investments were done as part of the business turn around strategy.

Northern Europe

Net Sales in Northern Europe remained in line amounting €196.4 million in the six month period ended June 30, 2012 compared to €196.3 million in the same period last year. Economically motivated changes in consumer preferences towards lower value products were compensated by focus on brand building innovation to maintain sales levels in a difficult economic climate.

Normalized EBITDA in Northern Europe decreased €6.5 million to €11.9 million in the six month period ended June 30, 2012, from €18.4 in the same period last year.

Normalized EBITDA margin over net sales for the six month period ended June 30, 2012 was 6.7% showing a decrease over previous period of 330 basis points. Although in 2012 raw material prices inflation related to hams and shoulders are slowing down, other cuts (especially those used in dry sausages) are still going up, and due to the product mix Northern Europe was more affected by this than Southern Europe. The impact of materials price increase was partially compensated by results of pricing/value actions and focus on value creation via innovation and brand building, 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. Since joining the Group with Fiorucci acquisition in April 2011, the American business has increased its quarterly net sales figure by 40% and almost doubled its EBITDA.

Cash Flow

Cash Flows from Operating Activities

For the three month period ended June 30, 2012, cash flow from operating activities amounted to a negative €5.5 million versus €30.9 million for the same period in 2011. This variance was primarily attributable to changes in working capital also coming from the company’s perimeter changes.

Cash Used in Investing Activities

For the three month period ended June 30, 2012, cash flow from investing activities amounted to a negative €10.6 million, compared to a negative €44.2 million for the same period in 2011. Capital Expenditures amounted to €11.3 million in the six month period ended June 30, 2012 and €16.3 million in the same period last year. Investment in Group in 2011 showed net cash impact related to the acquisition of Fiorucci.

Cash Flow from Financing Activities

For the three month period ended June 30, 2012, cash flow from financing activities amounted to a €1.1 million compared to €62.4 million for the same period last year. The cash flow from financing activities for the six month period ended June 30, 2011 included the financing raised and repaid in connection to the acquisition of Fiorucci Group.

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.

Our next quarterly results release is expected by beginning of November.

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.