



CAMPOFRIO FOOD GROUP

UNAUDITED INTERIM SELECTED
CONSOLIDATED FINANCIAL INFORMATION
NINE MONTH PERIOD ENDED 30th SEPTEMBER
2013

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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)

	Nine month period ended September 30,			
	2013		2012	
	Actual (unaudited)	% of total oper. revenue	Actual (unaudited)	% of total oper. revenues
Operating revenues				
Net sales and services	1,390,944	99.0%	1,393,327	99.0%
Capitalized expenses on Company's work on assets	3,960	0.3%	4,854	0.3%
Other operating revenue	9,646	0.7%	9,166	0.7%
<u>Total operating revenues</u>	<u>1,404,550</u>	<u>100.0%</u>	<u>1,407,347</u>	<u>100.0%</u>
Operating expenses				
Consumption of goods and other external charges	(781,481)	(55.6%)	(762,563)	(51.2%)
Employee benefits expense	(241,908)	(17.2%)	(258,305)	(18.4%)
Depreciation and amortization	(49,223)	(3.5%)	(45,055)	(3.2%)
Other operating expenses	(279,007)	(19.9%)	(279,436)	(19.9%)
Changes in trade provisions	(2,409)	(0.2%)	(1,675)	(0.1%)
<u>Total operating expenses</u>	<u>(1,354,028)</u>	<u>(96.4%)</u>	<u>(1,347,034)</u>	<u>(95.7%)</u>
<u>Impairment of assets</u>	<u>4,505</u>	<u>0.5%</u>	<u>=</u>	<u>=</u>
Operating profit	55,027	3.9%	60,313	4.3%
Financial expenses, net	(39,558)	(2.8%)	(42,101)	(3.0%)
Other results	(10,368)	(0.2%)	(5,540)	(0.3%)
Profit before tax	5,101	0.1%	12,672	0.6%
Income taxes	(3,248)	(0.1%)	(4,890)	(0.3%)
Profit for the period from continuing operations	1,853	0.1%	7,782	0.6%
Profit & (Loss) after tax for the period from discontinued operations	(40)	0.0%	(3,052)	(0.2%)
Profit for the period	1,813	0.1%	4,730	0.3%
Non-controlling interests			-	-
Attributable to equity holders of the parent company	1,813	0.1%	4,730	0.3%

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

CONSOLIDATED INCOME STATEMENT

Campofrio Food Group

(In Thousands of Euros)

	Three month period ended September 30,			
	2013		2012	
	Actual (unaudited)	% of total oper. revenue	Actual (unaudited)	% of total oper. revenues
Operating revenues				
Net sales and services	487,802	99.1%	482,964	98.8%
Capitalized expenses on Company's work on assets	1,164	0.2%	1,310	0.3%
Other operating revenue	3,070	0.6%	4,315	0.9%
<u>Total operating revenues</u>	<u>492,036</u>	<u>100.0%</u>	<u>488,589</u>	<u>100.0%</u>
Operating expenses				
Consumption of goods and other external charges	(282,911)	(57.5%)	(269,498)	(55.2%)
Employee benefits expense	(75,280)	(15.3%)	(83,252)	(17.0%)
Depreciation and amortization	(18,258)	(3.7%)	(15,060)	(3.1%)
Other operating expenses	(94,787)	(19.3%)	(95,212)	(19.5%)
Changes in trade provisions	(1,125)	(0.2%)	(739)	(0.2%)
<u>Total operating expenses</u>	<u>(472,361)</u>	<u>(96.0%)</u>	<u>(463,761)</u>	<u>(94.9%)</u>
Impairment of assets	=	<u>0.0%</u>	=	<u>0.0%</u>
Operating profit	19,675	4.0%	24,828	5.1%
Financial expenses, net	(13,220)	(2.7%)	(13,929)	(2.9%)
Other results	(4,529)	(0.9%)	(2,855)	(0.6%)
Profit before tax	1,926	0.4%	8,044	1.6%
Income taxes	(1,163)	(0.2%)	(4,134)	0.8%
Profit for the period from continuing operations	763	0.2%	3,910	0.8%
Profit & (Loss) after tax for the period from discontinued operations	(30)	0.0%	(137)	0,0%
Profit for the period	733	0.1%	3,773	0.8%
Non-controlling interests			-	-
Attributable to equity holders of the parent company	733	0.1%	3,773	0.8%

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,	
	Sep 30, 2013	Sep 30, 2012
	(unaudited)	(restated) (unaudited)
<u>ASSETS</u>		
Property, plant and equipment	564,112	561,315
Goodwill	458,829	456,373
Other intangible assets	284,799	268,912
Non-current financial assets	30,907	14,802
Investments accounted for under the equity method	29,948	28,432
Deferred tax assets	142,360	119,182
<u>Total non-current assets</u>	<u>1,510,955</u>	<u>1,449,016</u>
Inventories	366,039	355,290
Trade and other receivables	193,732	210,280
Other current financial assets	390	343
Other current assets	9,424	8,892
Cash and cash equivalents	138,827	157,748
<u>Total current assets</u>	<u>708,412</u>	<u>732,553</u>
<u>Assets classified as held for sale and discontinued operations</u>	<u>1,081</u>	<u>4,366</u>
<u>TOTAL ASSETS</u>	<u>2,220,448</u>	<u>2,185,935</u>
<u>EQUITY AND LIABILITIES</u>		
Equity attributable to equity holders of the parent	587,295	579,746
<u>Equity</u>	<u>587,295</u>	<u>579,746</u>
Debentures	492,488	490,148
Interest-bearing loans and borrowings	45,043	90,502
Other financial liabilities	4,046	4,118
Deferred tax liabilities	169,511	168,453
Other non-current liabilities	13,860	17,878
Provisions	82,371	110,511
<u>Total non-current liabilities</u>	<u>807,319</u>	<u>881,760</u>
Debentures	17,188	17,188
Interest-bearing loans and borrowings	49,353	32,462
Trade and other payables	644,087	573,147
Other financial liabilities	4,306	6,058
Creditor for income tax	7,591	6,130
Provisions	40,396	28,500
Other current liabilities	62,907	60,776
<u>Total current liabilities</u>	<u>825,828</u>	<u>724,261</u>
<u>Liabilities associated to operations on sale or discontinued</u>	<u>6</u>	<u>168</u>
<u>TOTAL EQUITY AND LIABILITIES</u>	<u>2,220,448</u>	<u>2,185,935</u>

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

CONSOLIDATED CASH FLOW STATEMENT

Campofrio Food Group
(In Thousands of Euros)

	Nine month period ended Sep 30,	
	2013	2012
	Actual (unaudited)	Actual (unaudited)
Operating flows before changes in working capital	98,865	101,770
Changes in working capital	6,141	2,079
Cash flows from operating activities	105,006	103,849
Net interest expenses	(26,528)	(28,275)
Provision and pensions payment	(28,759)	(18,415)
Income tax paid	(7,643)	(9,609)
Other collection and payments	121	3,385
Net cash flows from operating activities	42,197	50,935
Investments in property, plant and equipment	(46,763)	(37,317)
Investment in Group companies	(980)	(1,970)
Other cash flows from investing operations, net	2,465	3,854
Net cash flows from investing activities	(45,278)	(35,433)
Changes in financial assets and liabilities	(12,148)	10,174
Changes in non-current financial assets and liabilities	(15,400)	(3,500)
Purchase of treasury shares and Dividend payments	(454)	(3,845)
Net cash flows from financing activities	(28,008)	2,829
Net increase/(decrease) in cash and cash equivalents	(31,083)	18,331
Cash and cash equivalents at beginning of period	169,910	139,417
Cash and cash equivalents at end of period	138,827	157,748
	Three month period ended Sep 30,	
	2013	2012
	Actual (unaudited)	Actual (unaudited)
Operating flows before changes in working capital	37,075	34,651
Changes in working capital	21,649	4,701
Cash flows from operating activities	58,724	39,352
Net interest expenses	(1,623)	(1,635)
Provision and pensions payment	(12,662)	(3,415)
Income tax paid	(3,099)	(3,477)
Other collection and payments	28	3,385
Net cash flows from operating activities	41,368	34,210
Investments in property, plant and equipment	(12,215)	(14,706)
Investment in Group companies	(980)	-
Other cash flows from investing operations, net	2,175	3,084
Net cash flows from investing activities	(11,020)	(11,622)
Changes in financial assets and liabilities	(954)	2,453
Changes in non-current financial assets and liabilities	(3,400)	(1,000)
Purchase of treasury shares and Dividend payments	(2)	(2,621)
Net cash flows from financing activities	(4,356)	(1,168)
Net increase/(decrease) in cash and cash equivalents	25,992	21,420
Cash and cash equivalents at beginning of period	112,835	136,328
Cash and cash equivalents at end of period	138,827	157,748

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

	<u>Nine month period ended September 30,</u>	
	<u>2013</u>	<u>2012</u>
	<u>Actual (unaudited)</u>	<u>Actual (unaudited)</u>
Profit for the period Attributable to equity holders of the parent company	1,813	4,730
Profit & (Loss) after tax for the period from discontinued operations	40	3,052
Income taxes	3,248	4,890
Other results	10,368	5,540
Financial expenses, net	39,558	42,101
Impairment of assets	(4,505)	-
Depreciation and amortization	49,223	45,055
<u>EBITDA</u>	<u>99,745</u>	<u>105,368</u>
<u>Total Adjustments</u>	333	(1,437)
<u>EBITDA (normalized)</u>	<u>100,078</u>	<u>103,931</u>

Conciliation from Profit for the period to EBITDA normalized

	<u>Three month period ended September 30,</u>	
	<u>2013</u>	<u>2012</u>
	<u>Actual (unaudited)</u>	<u>Actual (unaudited)</u>
Profit for the period Attributable to equity holders of the parent company	733	3,773
Profit & (Loss) after tax for the period from discontinued operations	30	137
Income taxes	1,163	4,134
Other results	4,529	2,855
Financial expenses, net	13,220	13,929
Impairment of assets	-	-
Depreciation and amortization	18,258	15,060
<u>EBITDA</u>	<u>37,933</u>	<u>39,888</u>
<u>Total Adjustments</u>	287	(1,476)
<u>EBITDA (normalized)</u>	<u>38,220</u>	<u>38,412</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 Campofrio, S.A. On June 26, 1996, the Company’s name was changed to Campofrio Alimentación, S.A. and on December 30, 2008, it was 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.

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 nine month period ended September 30, 2013 and Campofrio Food Group, S.A. and subsidiaries Consolidated Financial Statements and Consolidated Management Report for the year ended December 31, 2012 and 2011.

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, 2012.

Non IFRS-EU Financial Measures

This selected financial information could contain non-IFRS-EU measures and ratios, including EBITDA, normalized 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, normalized 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 classified as “net loss after tax from discontinued operations”, both for the period ended in September 30, 2012 (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.
- Other: 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)

Net Financial Debt, Liquidity and Capital Resources

The following chart sets forth the Company’s debt position as of September 30, 2013 and September 30, 2012.

NET FINANCIAL DEBT	September 30,	
	2013	2012
<u>Non-current financial debt</u>		
Debentures	492,488	490,148
Interest-bearing loans and borrowings	45,043	90,502
Other financial liabilities	4,046	4,118
Financial derivatives instruments	-	150
<u>Current financial debt</u>		
Debentures	17,188	17,188
Interest-bearing loans and borrowings	49,353	32,462
Other financial liabilities	4,306	6,058
<u>Current financial assets</u>		
Other current financial assets	(390)	(343)
Cash and cash equivalents	(138,827)	(157,748)
<u>Total Net Financial Debt</u>	<u>473,207</u>	<u>482,535</u>

Our present debt structure consists of the Notes issued in 2009 which account for €509.7 million as of Sep 30, 2013 and a Senior Term Loan Facility amounting to €75 million drawn down in April 2011 to partially refinance the outstanding debt of Cesare Fiorucci S.p.A. our 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. After having early unwound all the remaining derivatives last year, there is not any remaining exposure in this regard. 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 as of September 30, 2013 is below the one at the end of September 30, 2012 despite the extraordinary cash outs associated to our on-going investments programme, which are being funded out of our positive cash flow generation and existing cash without requiring additional financing.

The Company's liquidity position remained very solid and amounted to €360 million circa at the end of September 30, 2013, consisting of €138.8 million in cash and cash equivalents, €220 million circa of fully available and committed bank lines.

The following tables set forth the situation of the Company's two main financing sources as of September 30, 2013 and September 30, 2012.

<u>Debentures</u>	Consolidated position at	
	30/09/2013	30/09/2012
Non-current debentures	492,488	490,148
Current debentures	17,188	17,188
Principal	-	-
Accrued interest	17,188	17,188
<u>Total debentures</u>	<u>509,676</u>	<u>507,336</u>

<u>Interest-bearing loans and borrowings</u>	Consolidated position at	
	30/09/2013	30/09/2012
Bank loans and credit facilities	90,099	119,018
Credit lines	90,099	119,018
Multicurrency credit line	-	-
Discounted bills payable	2,810	2,103
Interest payable	1,487	1,843
<u>Total</u>	<u>94,396</u>	<u>122,964</u>

The following table sets forth the situation of the Company's current and non-current other financial liabilities as of September 30, 2013 and September 30, 2012.

<u>Other financial liabilities</u>	Consolidated position at			Consolidated position at		
	30/09/2013			30/09/2012		
	Non-current	Current	Total	Non-current	Current	Total
Financial leases	726	627	1,353	1,385	644	2,029
Other financial liabilities	3,320	3,679	6,999	2,733	5,414	8,147
Derivatives	-	-	-	150	-	150
<u>Total</u>	<u>4,046</u>	<u>4,306</u>	<u>8,352</u>	<u>4,268</u>	<u>6,058</u>	<u>10,326</u>

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 Nine month period ended September 30, 2013, the Company had Net Sales and Services and Reported EBITDA of €1390.9 million and €99.7 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 September 30, 2013, the Company had a market capitalization of €572.4 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 25 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	Nine month period ended September 30,			% Increase (decrease) over prior period		
	2011	2012	2013	2012 vs. 2011	2013 vs. 2012	
		(price in €/kg)				
Spain Mercolleida	1.58	1.69	1.78	7.2	5.3	
France MPB	1.43	1.58	1.63	10.4	3.1	
Netherlands Monfoort	1.45	1.64	1.67	13.1	1.6	
Belgium Danis	1.35	1.53	1.53	13.9	-0.4	
Germany AIM	1.50	1.68	1.71	12.1	2.0	
Denmark DC	1.34	1.48	1.52	11.0	2.2	

For 4 of the last 6 years, rising grain prices have negatively affected meat protein prices. Throughout 2013, grain quotations continued their corrections initiated in the fall 2012, as outlooks pointed to significant improvements in cereals production in both Europe and USA. In addition, South America (Brazil and Argentina) harvested a record soybean crop last winter, for the first time surpassing the output from the United States.

Since this summer, European grain prices have traded below their levels of June 2012. EU28 cereals output is expected to rise to 300.2 MT (up 8%) and provide the second highest harvest on record. Similarly, US corn and soybean production are forecasted to reach respectively 14.2 (+31%) and 3.4 (+13%) billion bushels, both surpassing their previous records. US ethanol generation now consumes about 36% of the local corn crop. However, pork, poultry and beef meat production continue to be negatively impacted due to the lag effect.

The forecasted EU28 grain production of more than 300MT originates from slightly increased plantings, but mostly from sharply higher average yields (+8%). Soft wheat yields rose +7% and production reached 134.2 MT, up 8.7MT from the previous year. Corn yields (+15%) accounted for the most significant share of the higher total EU28 grain output, with good results in all key producing countries (Italy, Hungary, Romania and to a lesser extent France). Barley output increased also 7% to the level of 58.3MT.

Wheat, barley, corn and soybean meal are all key components of the feed ration for pork and poultry production.

The historically high grain prices in Europe significantly impacted the profitability of pig producers. EU pork farmers managed their losses by further lowering sow herds (-3.4% in December 2011 survey, and -4.5% in December 2012). Results from several countries of the summer 2013 surveys show similar patterns of decreased breeding populations, and solidify the trend initiated more than 28 months ago. Several key EU28 pork meat producer countries show additional cuts (Germany: -5.4%, Spain: -6.5%, France: -2.1%, Netherlands: -0.9%, Italy: -0.6%) while 2 countries show stability to slight increase (Denmark: +0.2%, Poland: +1.2%). Eastern Europe continues to be more affected than the average.

During the summer 2013, a period of increased profitability occurred due to record high pig prices and lower grain quotations. As a result, it is expected that sow and pig herds will stabilize and start to increase again. These decisions impact pork meat output with a 10 to 12 months delayed effect.

During the period January to September 2013, EU28 pork production displayed heterogeneous, and slightly better than expected results, with estimated output down around -0.8%. On one hand, the total production rose in Germany (+0.7%), Belgium (+1.5%), Poland (+1.9%) and United Kingdom (+0.2%). On the other hand, the opposite occurred in France (-1.1%), the Netherlands (-1.8%), Denmark (-2.0%), Spain (-0.9%) and Italy (-1.7%). As a result, prices have risen less than anticipated during the period. Price risks remain present for H2 2013 and H1 2014 due to sow and pig population surveys evolution (10 month lag effect).

For 2012, EU28 exports to third countries slowed down to a final -2.0% against the previous year. And during the first 8 months in 2013, European exports decreased only slightly to -0.6%, recuperating throughout the current year. Overall Asian imports increased +8% with two distinct groups. China and Philippines volumes rose +18% and +37% while South Korea and Japan saw reduced activity (-35% and -5% respectively). China consolidates its position as the largest client of EU28 trade bloc with 30% of transacted volumes. European clients decreased their pork meat orders by -9%, mostly due to Russia (-3%), Ukraine (-22%) and Belarus (-27%).

In general, 2013 EU pig carcass prices traded at their highest levels in the last 15 to 20 years, depending on the country. They are up more than +25.0% in the past three years. Their evolution reflected the heterogeneous supply conditions in the main producer countries. During the January to September 2013 period, the pork quotation rose most in Spain (+5.3%), Denmark (+2.2%) and France (+3.1%). The north European basin composed of Germany, Netherlands and Belgium displayed less inflationary pressure (+2.0%, +1.6%, -0.4%) due to better than expected pork production (-0.8%).

Among all pork cuts, the value of hams rose in line or faster than pig carcass quotations (from +7.8% in Germany to +6.2% in France or 4.0% in Belgium). The ham to pig price ratios remain at low levels versus the last 15 years trend, a sign of consumers still preferring cuts with lower relative value (penalizing hams and loins). Shoulders rose again more than their fair share, from +1.7% in Germany to +2.8% in Spain and +3.4% in Italy. Despite gradually decreasing all year long, bellies still trade near their record highs up from +3.3% (DE) to +9.1% (ES) against last year. Fat, jowls, trimmings, after surging in the second half of 2012, have dropped significantly and consistently throughout 2013.

European chicken market carcass prices have increased slightly year to date (from +2.9% in France to +0.8% in Spain), with limited impact on cuts prices due to weaker internal demand than 2012. Fresh European turkey and chicken prices rose significantly during the summer 2013.

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 2013 year to date, the average pork meat price purchased by the Company increased +2.35% versus year ago 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. Taking into consideration these factors, the pork meat costs for the first nine months of 2013 rose by 3.5% versus the same period last year.

Results of Operations

Comparison of the Nine month period ended September 30, 2013 and the nine month period ended June, 2012

Operating Revenues

The following table sets forth a detailed breakdown of our operating revenues for the nine month period ended September 30, 2013 and September 30, 2012.

Operating revenues	Nine month period ended September 30,			
	2013		2012	
	Actual (unaudited)	% of total oper. revenues	Actual (unaudited)	% of total oper. revenues
Net sales and services	1,390,944	99.0%	1,393,327	99.0%
<i>% increase in Net Sales and Services</i>	<i>(0.2%)</i>			
Capitalized expenses on Company's fixed assets	3,960	0.3%	4,854	0.3%
Other operating revenue	9,646	0.7%	9,166	0.7%
Total operating revenues	1,404,550	100.0%	1,407,347	100.0%
<i>% increase in total operating revenues</i>	<i>(0.2%)</i>			

Operating revenues decreased by 0.2% to €1,404.6 million for the nine month period ended September 30, 2013 from €1,407.3 million for the same period of 2012. Net sales remained stable at €1,390.9 million for the nine month period ended June, 2013 compared with €1,393.3 million in the same period of 2012. This variation reflects stability in group strategic markets and value enhancing efforts via our brands, which grow 1.0%.

Operating Expenses

The following table sets forth a detailed breakdown of operating expenses for the nine month period ended September 30, 2013 and September 30, 2012.

Operating expenses	Nine month period ended September 30,			
	2013		2012	
	Actual (audited)	% of total oper. revenues	Actual (audited)	% of total oper. revenues
Consumption of goods and other external charges	(781,481)	(55.6%)	(762,563)	(54.2%)
Employee benefits expense	(241,908)	(17.2%)	(258,305)	(18.4%)
Depreciation and amortization	(49,223)	(3.5%)	(45,055)	(3.2%)
Other operating expenses	(279,007)	(19.9%)	(279,436)	(19.9%)
Changes in trade provisions	(2,409)	(0.2%)	(1,675)	(0.1%)
Total operating expenses	(1,354,028)	(96.4%)	(1,347,034)	(95.7%)
<i>% increase in total operating expenses</i>	<i>(0.5%)</i>			

Operating expenses decreased by 0.5% to €1,354.0 million for the nine month period ended September 30, 2013 from €1,347.0 million for the same period of 2012. Operating expenses constituted 96.4% and 95.7% of total operating revenues for the nine month period ended September 30, 2013 and 2012, respectively.

Consumption of Goods and Other External Charges

Consumption of goods and other external charges increased by 2.5% to €781.5 million for the nine month period ended September 30, 2013 from €762.6 million for the same period of 2012. Consumption of goods and other external charges constituted 55.6% and 54.2% in percentage of total operating revenues for the nine month period ended September 30, 2013 and 2012, respectively. The increased was derived from higher raw material prices during the nine month period ended September 30, 2013 versus the same period of 2012.

Employee Benefits Expenses

Employee benefits expenses decreased by 6.3% to €241.9 million for the nine month period ended September 30, 2013 from €258.3 million for the same period of 2012, reflecting our efforts to gain

competitiveness. Employee benefits expenses constituted 17.2% and 18.4% in percentage total operating revenues, respectably.

Depreciation and Amortization

Depreciation and amortization increased by 9.3% to €49.2 million for the nine month period ended September 30, 2013 from €45.1 million for the same period of 2012. Depreciation and amortization represented 3.5% and 3.2% of total operating revenues for the nine month period ended September 30, 2013 and 2012, respectively.

Other Operating Expenses

Other operating expenses decreased by 0.2% to €279.0 million for the nine month period ended September 30, 2013 from €279.4 million for the same period of 2012.

Other Results

For the nine month period ended September 30, 2013 and 2012, Other Results amounted to €10.4 million loss and €5.5 million loss, respectively. Other Results are comprised of our share of profit / (loss) of investments accounted for using the equity method. The loss for the nine month period ended September 30, 2013 is mainly related to the joint venture in France.

Finance and Tax Expenses

Finance Revenue and Finance Costs

Net finance cost decreased by €2.5 million to €39.6 million for the nine month period ended September 30, 2013, from €42.1 million in the same period 2012 mainly due to the lower total bank debt including amortization under the Fiorucci club deal facility.

Income Tax Expenses

Income tax amounted to €3.2 million expense for the nine month period ended September 30, 2013, compared to €4.9 million expense in the same period of 2012.

Result from Discontinued Operations

For the nine month period ended September 30, 2013 and 2012, Results from Discontinued Operations amounted to €0.04 million loss and €3.1 million loss, respectively. Results from Discontinued Operation in the nine month period ended September 30, 2012, are mainly comprised of our French cooked and Spain pork breeding business after tax net results.

Profit (Loss) for the Period

Profit (Loss) for the Period amounted to €1.8 million gain in the nine month period ended September 30, 2013, compared to a €4.7 million loss in the same period of 2012.

Operating Segment Reporting

Net sales and services	Nine month period ended September 30,			
	2013		2012	
	Actual (audited)	% of total	Actual (audited)	% of total
Southern Europe	796,578	57,3%	815,009	58,5%
Northern Europe	596,568	42,9%	591,199	42,4%
Other	41,970	3,0%	39,706	2,8%
Eliminations	(44,172)	(3,0%)	(52,587)	(3,8%)
Total net sales and services	1,390,944	100,0%	1,393,327	100,0%

EBITDA (normalized)	Nine month period ended September 30,			
	2013		2012	
	Actual (unaudited)	% of total	Actual (unaudited)	% of total
Southern Europe	47,357	47.3%	56,188	54.1%
Northern Europe	46,641	46.6%	43,643	42.0%
Other	6,080	6.1%	4,100	3.9%
Total EBITDA	100,078	100.0%	103,931	100.0%
% EBITDA normalized margin over Net Sales				
Southern Europe	5.9%		6.9%	
Northern Europe	7.8%		7.4%	
Other	14.5%		10.3%	
Total EBITDA	7.2%		7.5%	

Southern Europe

Net sales in Southern Europe decreased by 2.3% to €796.6 million for the nine month period ended September 30, 2013 from €815.0 million for the same period of 2012. While net sales in Spain, are higher than previous year figures, net sales in Italy and Portugal decrease due to tough market conditions, and in the case of Portugal, strategic portfolio reshaping to increase profitability.

Normalized EBITDA amounted to €47.4 million for the nine month period ended September 30, 2013 compared to €56.2 million for the same period of 2012. Normalized EBITDA margin over net sales for the nine month period ended September 30, 2013 reached 5.9% showing a decrease over previous period of 95 basis points. Lower EBITDA is due to change in consumer preferences (mix), materials inflation, and increased Marketing, Advertising and Promotions expenses. The latter aimed to successfully re-launch and reposition the product portfolio and therefore to ensure margin improvements in the medium/long-term.

Northern Europe

Net Sales in Northern Europe increased by 0.9% to €596.6 million in the nine month period ended September 30, 2013 from €591.2 million in the same period of 2012.

The Normalized EBITDA for nine month period ended September 30, 2013 reached €46.6 million compared with €43.6 million for the same period of 2012. Margin over net sales for the Nine month period ended September 30, 2013 was 7.8% showing an increase over previous period of 44 basis points. EBITDA improvement is due to the successful fixed cost efficiency program carried out in France, and to be rolled out in the rest of Northern Europe in the second half of 2013.

Other

The “Other” segment mainly refers to corporate costs in the headquarters and business in USA which continues to outperform in both volume and sales value.

Cash Flow

Cash Flows from Operating Activities

For the nine month period ended September 30, 2013, cash flow from operating activities amounted to €42.2 million cash in compared to €50.9 million cash in for the same period of 2012. This variance was primarily attributable to lower operating cash flow before changes in working capital, higher provision and pension payments offset by higher positive variation in changes in working capital.

Cash Used in Investing Activities

For the nine month period ended September 30, 2013, cash flow from investing activities amounted to €45.2 million cash out, compared to €35.4 million cash out for the same period of 2012. Capital Expenditures amounted to €46.8 million in the nine month period ended September 30, 2013 and €37.3 million in the same period last year. Investment in Group companies, both in 2013 and 2012, refer to the capital investment in the Joint Venture with Foxlease in France.

Cash Flow from Financing Activities

For the nine month period ended September 30, 2013, cash flow from financing activities amounted to €28.0 million cash out compared to €2.9 million cash in for the same period last year. The cash flow from financing activities for the nine month period ended September 30, 2013 and 2012, include the changes in our short-term bank debt, changes in non-current financial assets, and the cash involved in the purchase of treasury shares.

Comparison of the three month period ended September 30, 2013 and the three month period ended September 30, 2012

Operating Revenues

The following table sets forth a detailed breakdown of our operating revenues for the three month period ended September 30, 2013 and September 30, 2012.

Operating revenues	Three month period ended September 30,			
	2013		2012	
	Actual (unaudited)	% of total oper. revenues	Actual (unaudited)	% of total oper. revenues
Net sales and services	487,802	99.1%	482,964	98.8%
<i>% increase in Net Sales and Services</i>	<i>1.0%</i>			
Capitalized expenses on Company's fixed assets	1,164	0.2%	1,310	0.3%
Other operating revenue	3,070	0.6%	4,315	0.9%
Total operating revenues	492,036	100.0%	488,589	100.0%
<i>% increase in total operating revenues</i>	<i>0.7%</i>			

Operating revenues increased by 0.7% to €492.0 million for the three month period ended September 30, 2013 from €488.6 million for the three month period ended September 30, 2012. Net sales increased by 1.0% to €487.8 million for the three month period ended June, 2013 from €483.0 million in the same period of 2012, as a result of company's strategy to grow the top line.

Operating Expenses

The following table sets forth a detailed breakdown of operating expenses for the three month period ended September 30, 2013 and September 30, 2012

Operating expenses	Three month period ended September 30,			
	2013		2012	
	Actual (unaudited)	% of total oper. revenues	Actual (unaudited)	% of total oper. revenues
Consumption of goods and other external charges	(282,911)	(57.5%)	(269,498)	(55.2%)
Employee benefits expense	(75,280)	(15.3%)	(83,252)	(17.0%)
Depreciation and amortization	(18,258)	(3.7%)	(15,060)	(3.1%)
Other operating expenses	(94,787)	(19.3%)	(95,212)	(19.5%)
Changes in trade provisions	(1,125)	(0.2%)	(739)	(0.2%)
Total operating expenses	(472,361)	(96.0%)	(463,761)	(94.9%)
<i>% increase in total operating expenses</i>	<i>1.9%</i>			

Operating expenses increased by 1.9% to €472.7 million for the three month period ended September 30, 2013 from €463.8 million for the same period in 2012, very much impacted by meat inflation. Operating

expenses constituted 96.0% and 94.9% of total operating revenues for the three month period ended September 30, 2013 and September 30, 2012, respectively.

Consumption of Goods and Other External Charges

Consumption of goods and other external charges increased by 5.0% to €282.9 million for the three month period ended September 30, 2013 from €269.5 million for the same period in 2012. Consumption of goods and other external charges constituted 57.5% and 55.2% in percentage of total operating revenues for the three month period ended September 30, 2013 and September 30, 2012, respectively.

Employee Benefits Expenses

Employee benefits expenses decreased by 9.6% to €75.3 million for the three month period ended September 30, 2013 from €83.3 million for the same period of 2012, reflecting our efforts to gain competitiveness. Employee benefits expenses represented 15.3% and 17.0% in percentage of total operating revenues for September 30, 2013 and 2012, respectively.

Depreciation and Amortization

Depreciation and amortization increase by 21.2% to €18.3million for the three month period ended September 30, 2013 from €15.1 for the same period in 2012. Depreciation and amortization represented 3.7% and 3.1% in percentage of total operating revenues for September 30, 2013 and 2012, respectively.

Other Operating Expenses

Other operating expenses decreased by 0.4% to €94.8 million for the three month period ended September 30, 2013 from €95.2 million for the same period of 2012.

Other Results

For the three month period ended September 30, 2013 and 2012, Other Results amounted to €4.5 million loss and €2.9 million loss, respectively. Other Results are comprised of our share of profit / (loss) of investments accounted for using the equity method. The loss for both periods under comparison is mainly related to the joint venture in France.

Finance and Tax Expenses

Finance Revenue and Finance Costs

Net finance cost decreased by €0.7 million to €13.2 million in the three month period ended September 30, 2013 from €13.9 million for the same period of 2012 mainly due to the lower total bank debt including amortization under the Fiorucci club deal facility.

Income Tax

Income tax amounted to €1.2 million expense for the three month period ended September 30, 2013, compared with a €4.1 million expense for the three month period ended September 30, 2012.

Profit for the Period

For the three month period ended September 30, 2013, the profit for the period amounted to €0.7 million compared to €3.8 million for the same period in 2012.

Operating Segment Reporting

Net sales and services	Three month period ended September 30,			
	2013		2012	
	Actual (audited)	% of total	Actual (audited) (restated)	% of total
Southern Europe	284,547	58.3%	282,329	58.5%
Northern Europe	205,676	42.2%	202,842	42.0%
Other	14,249	2.9%	15,186	3.1%
Eliminations	(16,671)	(3.4%)	(17,393)	(3.6%)
<u>Total net sales and services</u>	<u>487,801</u>	<u>100.0%</u>	<u>482,964</u>	<u>100.0%</u>

EBITDA (normalized)	Three month period ended September 30,			
	2013		2012	
	Actual (unaudited)	% of total	Actual (unaudited) (restated)	% of total
Southern Europe	19,997	52.3%	19,954	51.9%
Northern Europe	16,228	42.5%	16,914	44.0%
Other	1,995	5.2%	1,544	4.0%
<u>Total EBITDA</u>	<u>38,220</u>	<u>100.0%</u>	<u>38,412</u>	<u>100.0%</u>

% EBITDA normalized margin over Net Sales

Southern Europe	7.0%	7.1%
Northern Europe	7.9%	8.3%
Other	14.0%	10.2%
<u>Total EBITDA</u>	<u>7.8%</u>	<u>8.0%</u>

Southern Europe

Net sales in Southern Europe increased by 0.8% to €284.5 million for the three month period ended September 30, 2013 from €282.3 million for the same period last year. While net sales in Spain, are higher than previous year figures, net sales in Italy and Portugal decrease due to tough market conditions, and in the case of Portugal, strategic portfolio reshaping to increase profitability.

Normalized EBITDA amounted to €20.0 million for the three month period ended September 30, 2013 and for the same period last year. Normalized EBITDA margin over net sales for the three month period ended September 30, 2013 reached 7.0% showing a stable evolution compared with previous period. This stable evolution was reached in a challenging business environment.

Northern Europe

Net Sales in Northern Europe increased by 1.4% to €205.7 million in the three month period ended September 30, 2013 compared with €202.8 million in the same period last year.

The Normalized EBITDA for three month period ended September 30, 2013 reached €16.2 million compared with €16.9 million for the same period last year. Margin over net sales for the three month period ended September 30, 2013 was 7.9% showing a decrease over the same period of last year of 45 basis points.

Other

The "Other" segment mainly refers to central monitoring and supervising costs and business in USA which continues to outperform both in volume and sales value.

Cash Flow

Cash Flows from Operating Activities

For the three month period ended September 30, 2013, cash flow from operating activities amounted to €41.4 million cash in compared to €34.2 million cash in for the same period of 2012. This positive variance was primarily attributable to changes in working capital offset by higher provisions payments.

Cash Used in Investing Activities

For the three month period ended September 30, 2013, cash flow from investing activities amounted to €11.0 million cash out, compared to €11.6 million cash out for the same period of 2012. Capital Expenditures amounted to €12.2 million in the three month period ended September 30, 2013 and €14.7 million in the same period last year.

Cash Flow from Financing Activities

For the three month period ended September 30, 2013, cash flow from financing activities amounted to €4.4 million cash out compared to €1.2 million cash out for the same period last year. The cash flow from financing activities for the three month period ended September 30, 2013 and 2012, include the changes in our short-term bank debt, changes in non-current financial assets, and the cash involved in the purchase of treasury shares.

RECENT DEVELOPMENTS

As made public by the CNMV relevant fact nº 193226, in September 26th 2013 Shuanghui has acquired all shares capital of Smithfield Foods Inc. By means of this transaction, Shuanghui indirectly controls 36.990% of Campofrio Food Group, S.A. Following Spanish law, Shuanghui was obliged to do an offer for the 100% outstanding capital shares, or reduce the number of shares it holds so as to reduce the participation below 30%. After the transaction has been confirmed, Shuanghui has communicated its intention to reduce its ownership below 30%. Also, until this reduction takes place, Shuanghui has confirmed its intention not to make use of its voting rights above the 30% limit.

On November 14th, 2013 Sigma Alimentos Exterior, S.L.U., after acquiring 44.5% of Campofrio Food Group, S.A. shares, announced its request made at the CNMV to launch a take over bid over the remaining 55.5%. Sigma Alimentos Exterior, S.L.U. is a subsidiary of Sigma México.

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.