CAMPOFRIO FOOD GROUP

UNAUDITED INTERIM SELECTED
CONSOLIDATED FINANCIAL INFORMATION
SIX MONTH PERIOD ENDED
30th JUNE 2014

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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 period ended June 30,			
	2014		2013	
	Actual (unaudited)	% of total oper. revenue	**Actual (unaudited)**	% of total oper. revenues
Operating revenues				
Net sales and services	910,545	99.4%	903,142	99.0%
Capitalized expenses on Company's work on assets	116	0.0%	2,796	0.3%
Other operating revenue	5,140	0.6%	6,576	0.7%
Total operating revenues	915,801	100.0%	912,514	100.0%
Operating expenses				
Consumption of goods and other external charges	(506,055)	(55.3%)	(498,570)	(54.6%)
Employee benefits expense	(162,989)	(17.8%)	(165,369)	(18.1%)
Depreciation and amortization	(35,130)	(3.8%)	(30,965)	(3.4%)
Other operating expenses	(181,715)	(19.8%)	(185,479)	(20.3%)
Changes in trade provisions	(1,793)	(0.2%)	(1,284)	(0.1%)
Total operating expenses	(887,682)	(96.9%)	(881,667)	(96.6%)
Impairment of assets	-	0.0%	4,505	0,5%
Operating profit	**28,119**	**3.1%**	**35,352**	**3.9%**
Financial expenses, net	(25,541)	(2.8%)	(26,338)	(2.9%)
Other results	(6,662)	(0.7%)	(5,839)	(0.6%)
Profit before tax	**(4,084)**	**(0.4%)**	**3,175**	**0.3%**
Income taxes	(1,029)	0.1%	(2,085)	0.2%
Profit for the period from continuing operations	**(5,113)**	**0.6%**	**1,090**	**0.1%**
Profit & (Loss) after tax for the period from discontinued operations	906	0.1%	(10)	(0.0%)
Profit for the period	**(4,207)**	**0.4%**	**1,080**	**0.1%**
Non-controlling interests			-	-
Attributable to equity holders of the parent company	(4,207)	0.4%	1,080	0.1%

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 June 30,			
	2014		2013	
	Actual (unaudited)	% of total oper. revenue	**Actual (unaudited)**	% of total oper. revenues
Operating revenues				
Net sales and services	474,066	99.4%	461,553	98.8%
Capitalized expenses on Company's work on assets	102	0.0%	1,442	0.3%
Other operating revenue	2,872	0.6%	3,970	0.9%
Total operating revenues	477,040	100.0%	466,965	100.0%
Operating expenses				
Consumption of goods and other external charges	(268,028)	(56.2%)	(254,253)	(54.4%)
Employee benefits expense	(79,547)	(16.7%)	(79,656)	(17.1%)
Depreciation and amortization	(17,535)	(3.7%)	(15,653)	(3.4%)
Other operating expenses	(93,625)	(19.6%)	(95,993)	(20.6%)
Changes in trade provisions	(532)	(0.1%)	(671)	(0.1%)
Total operating expenses	(459,267)	(96.3%)	(446,226)	(95.6%)
Impairment of assets	-	0.0%	4,505	0,5%
Operating profit	**17,773**	**3.7%**	**25,244**	**5,4%**
Financial expenses, net	(12,402)	(2.6%)	(13,409)	(2.9%)
Other results	(2,355)	(0.5%)	(2,883)	(0.6%)
Profit before tax	**3,016**	**0.6%**	**8,952**	**1.9%**
Income taxes	(2,808)	(0.6%)	(3,750)	0.8%
Profit for the period from continuing operations	**208**	**0.0%**	**5,202**	**1.1%**
Profit & (Loss) after tax for the period from discontinued operations	84	0.0%	(56)	(0.0%)
Profit for the period	**292**	**0.1%**	**5,146**	**1.1%**
Non-controlling interests			-	-
Attributable to equity holders of the parent company	292	0.1%	5,146	1.1%

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, 2014	**Jun 30, 2013**
	(unaudited)	**(unaudited)**
ASSETS		
Property, plant and equipment	570,291	569,015
Goodwill	458,759	459,034
Other intangible assets	285,221	287,592
Non-current financial assets	39,605	27,153
Investments accounted for under the equity method	30,408	29,198
Deferred tax assets	157,915	140,493
Total non-current assets	**1,542,199**	**1,512,485**
Inventories	386,449	365,206
Trade and other receivables	175,517	173,380
Other current financial assets	390	390
Other current assets	6.566	9,540
Cash and cash equivalents	108,808	112,835
Total current assets	**677,730**	**661,351**
Assets classified as held for sale and discontinued operations	**1,114**	**1,079**
TOTAL ASSETS	**2,221,043**	**2,174,915**
EQUITY AND LIABILITES		
Equity attributable to equity holders of the parent	614,265	587,660
Equity	**614,265**	**587,660**
Debentures	-	491,903
Interest-bearing loans and borrowings	15,108	45,018
Other financial liabilities	11,070	4,288
Deferred tax liabilities	164,225	168,908
Other non-current liabilities	13,933	14,472
Provisions	96,186	89,891
Total non-current liabilities	**300,522**	**814,480**
Debentures	500,115	6,875
Interest-bearing loans and borrowings	50,488	51,107
Trade and other payables	671,043	588,231
Other financial liabilities	2,083	4,412
Creditor for income tax	1,374	9,702
Provisions	17,445	46,303
Other current liabilities	63,701	66,134
Total current liabilities	**1,306,249**	**772,764**
Liabilities associated to operations on sale or discontinued	**7**	**11**
TOTAL EQUITY AND LIABILITIES	**2,221,043**	**2,174,915**

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 period ended Jun 30,	
	2014	**2013**
	Actual (unaudited)	**Actual (unaudited)**
Operating flows before changes in working capital	**63,204**	**61,790**
Changes in working capital	(29,836)	(15,508)
Cash flows from operating activities	**33,368**	**46,282**
Net interest expenses	(24,877)	(24,905)
Provision and pensions payment	(24,833)	(16,097)
Income tax paid	(817)	(4,544)
Other collection and payments	1,483	93
Net cash flows from operating activities	**(15,676)**	**829**
Investments in property, plant and equipment	(24,580)	(34,548)
Investment in Group companies	-	-
Other cash flows from investing operations, net	371	290
Net cash flows from investing activities	**(24,209)**	**(34,258)**
Changes in financial assets and liabilities	(17,741)	(11,194)
Changes in non-current financial assets and liabilities	-	(12,000)
Purchase of treasury shares and Dividend payments	20,477	(452)
Net cash flows from financing activities	**2,736**	**(23,646)**
Net increase/(decrease) in cash and cash equivalents	**(37,149)**	**(57,075)**
Cash and cash equivalents at beginning of period	145,957	169,910
Cash and cash equivalents at end of period	108,808	112,835

	Three month period ended Jun 30,	
	2014	**2013**
	Actual (unaudited)	**Actual (unaudited)**
Operating flows before changes in working capital	**35,059**	**35,652**
Changes in working capital	(1,340)	(5,598)
Cash flows from operating activities	**33,719**	**30,054**
Net interest expenses	(23,072)	(23,270)
Provision and pensions payment	(9,088)	(9,929)
Income tax paid	(1,266)	(487)
Other collection and payments	624	93
Net cash flows from operating activities	**917**	**(3,539)**
Investments in property, plant and equipment	(16,517)	(19,738)
Investment in Group companies	-	-
Other cash flows from investing operations, net	170	150
Net cash flows from investing activities	**(16,347)**	**(19,588)**
Changes in financial assets and liabilities	(20,391)	(22,990)
Changes in non-current financial assets and liabilities	-	(2,200)
Purchase of treasury shares and Dividend payments	20,477	(160)
Net cash flows from financing activities	**86**	**(25,350)**
Net increase/(decrease) in cash and cash equivalents	**(15,344)**	**(48,477)**
Cash and cash equivalents at beginning of period	124,152	161,312
Cash and cash equivalents at end of period	108,808	112,835

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 period ended June 30,	
	2014	**2013**
	Actual (unaudited)	**Actual (unaudited)**
Profit for the period Attributable to equity holders of the parent company	(4,207)	1,080
Profit & (Loss) after tax for the period from discontinued operations	(906)	10
Income taxes	1,029	2,085
Other results	6,662	5,839
Financial expenses, net	25,541	26,338
Impairment of assets	-	(4,505)
Depreciation and amortization	35,130	30,965
EBITDA	**63,249**	**61,812**
Total Adjustments	59	46
EBITDA (normalized)	**63,308**	**61,858**

Conciliation from Profit for the period to EBITDA normalized

	Three month period ended June 30,	
	2014	**2013**
	Actual (unaudited)	**Actual (unaudited)**
Profit for the period Attributable to equity holders of the parent company	292	5,146
Profit & (Loss) after tax for the period from discontinued operations	(84)	56
Income taxes	2,808	3,750
Other results	2,355	2,883
Financial expenses, net	12,402	13,409
Impairment of assets	-	(4,505)
Depreciation and amortization	17,535	15,653
EBITDA	**35,308**	**36,392**
Total Adjustments	36	(279)
EBITDA (normalized)	**35,344**	**36,113**

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 June 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 Group operates in Spain, France, Belgium, the Netherlands, Portugal, Germany, Italy, United Kingdom, USA and Romania.

Basis of preparation

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

In any case, this selected financial information here presented and the explanatory notes should be read in conjunction with the Campofrío Food Group, S.A. and subsidiaries Consolidated Financial Statements and Consolidated Management Report for the year ended December 31, 2013 and the Interim Condensed Consolidated Financial Statements for the six-month period ended June 30, 2013 and 2012.

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, 2013.

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.

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 June 30, 2014 and June 30, 2013.

NET FINANCIAL DEBT	**Six month ended June 30,**	
	2014	**2013**
Non-current financial debt		
Debentures	-	491,903
Interest-bearing loans and borrowings	15,108	45,018
Other financial liabilities	11,070	4,288
Financial derivatives instruments	-	-
Current financial debt		
Debentures	500,115	6,875
Interest-bearing loans and borrowings	50,488	51,107
Other financial liabilities	2,083	4,412
Current financial assets		
Other current financial assets	(390)	(390)
Cash and cash equivalents	(108,808)	(112,835)
Total Net Financial Debt	**469,667**	**490,378**

Our present debt structure consists of the Notes issued in 2009 which account for € 500.1 million as of June 30, 2014 and a Senior Term Loan Facility amounting to € 45 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 and it is held at parent company level. 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 June 30, 2014 is below the one at the end of June 30, 2013 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 € 326.1 million circa at the end of June 30, 2014, consisting of € 108.8million in cash and cash equivalents, € 217.3 million circa of fully available and committed bank lines.

With regard to change in control due to the parent's new shareholder structure and the potential obligation to redeem bonds early, it should be taken into account that:

- This circumstance is not a concern but rather would be an opportunity to reduce the cost of the Group's debt substantially, which would likewise lead to a significant savings in interest costs, improving cash flow and liquidity.
- In this regard, the Group will have full access to the bond market as well as the banking system should refinancing be necessary in the future.

- Consequently, both the bonds (500 million euros maturing in October 2016), subject to change of control clauses, as well as the club deal loan (45 million euros at June 30, 2014, 15 million of which matures biannually up to October 2015 - Note 17), will be refinanced when necessary, without major difficulties.

- The change of control would require the repurchase of the bonds at 101% of their nominal value, much lower than the current call price (104.125%) and in fact, even lower than the current trading 104.357%. As a result, although early redemption under the change of control event is rather unlikely, it would nevertheless be good news in terms of savings should bondholders were to exercise this option.

- In addition, there are other credit facilities (primarily unused credit and factoring and confirming facilities) to which the corresponding credit institutions have already given their consent and/or waivers, given the improvement in the Group's credit standing as a result of the new shareholder structure.

- The Group continues to receive support from its banks even in the most difficult financial market circumstances of recent years. In reality, the process of changing the shareholder structure has been perceived in a very positive light, not only by our banks but by all the Group's stakeholders, not to mention the fact that the current global financial outlook is much more favorable.

- This perception is further evidenced by the improved rating Campofrio Food Group received from both rating agencies (i.e., Moody's and S&P).

- Lastly, the Group holds a solid liquidity position, above 326 million euros taking into account unused credit facilities. This position, together with its ability to obtain financing within the required time limits, provides additional comfort with regard to this process, which is being properly managed to avoid unnecessary costs

The following tables set forth the situation of the Company’s two main financing sources as of June 30, 2014 and June 30, 2013.

Debentures	**Consolidated position at**	
	30/06/2014	**30/06/2013**
Non-current debentures	-	491,903
Current debentures	500,115	6,875
Principal	493,240	-
Accrued interest	6,875	6,875
Total debentures	**500,115**	**498,778**

Interest-bearing loans and borrowings	**Consolidated position at**	
	30/06/2014	**30/06/2013**
Bank loans and credit facilities	59,799	92,244
Credit lines	59,799	92,244
Multicurrency credit line	-	-
Discounted bills payable	4,480	2,605
Interest payable	1,316	1,275
Total	**65,595**	**96,124**

The following table sets forth the situation of the Company’s current and non-current other financial liabilities as of June 30, 2014 and June 30, 2013.

Other financial liabilities	**Consolidated position at 30/06/2014**			**Consolidated position at 30/06/2013**		
	Non-current	**Current**	**Total**	**Non-current**	**Current**	**Total**
Financial leases	6,757	473	7,230	945	674	1,619
Other financial liabilities	4,313	1,610	5,923	3,343	3,738	7,081
Total	**11,070**	**2,083**	**13,153**	**4,288**	**4,412**	**8,700**

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 six month period ended June 30, 2014, the Company had Net Sales and Services and Reported EBITDA of €910.5 million and €63.2 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, 2014, the Company had a market capitalization of €706.3 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	Six month period ended June 30,			% Increase (decrease) over prior period	
	2012	2013	2014	2013 vs. 2012	2014 vs. 2013
		(price in €/kg)			
Spain Mercolleida	1.60	1.72	1.63	+7.4	-5.2
France MPB	1.49	1.55	1.52	+3.6	-1.9
Netherlands Monfoort	1.59	1.62	1.53	+1.9	-5.4
Belgium Danis	1.47	1.46	1.39	-0.5	-4.7
Germany AIM	1.62	1.66	1.57	+2.4	-5.4
Denmark DC	1.41	1.49	1.41	+5.3	-5.0

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.

During 2013, European grain prices all traded below their previous year levels (Soft Wheat: -9%, Feed Wheat: -8%, Barley: -13%, Corn: -13% and Soybean: -6%). EU28 cereals production rose significantly to 302.3 MT (up +9%) and provide the second largest harvest on record. Similarly, US corn and soybean production reached respectively 14.2 (+31%) and 3.4 (+13%) billion bushels, both surpassing their previous historical records. US ethanol generation now consumes about 37% of the North American corn crop. On a global basis, total world grain production rose +9% to 1946 million MT. Both wheat and corn rose to new all time highs. Consumption was up +5% to 1904 MT and campaign end stocks up +12% to 379 MT. However, pork, poultry and beef meat production continued to be negatively impacted due to the time lag effect.

The high EU28 grain production of more than 300MT originates from slightly increased plantings, but mostly from high average yields (+8%). Soft wheat yields rose +7% and production reached 135.2 MT, up 8.7MT from the previous year. Corn yields (+15%) contributed the most to the large 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 59.6 MT.

2014 grain production is expected to decrease only slightly, by -1% to 301 MT. Precipitation conditions have been satisfactory across EU28. Similarly, the forecast for grain production in USA is very positive going into the fall harvest season (corn and soybean). As a result, grain prices have dropped sharply since mid-May (respectively -26% and -9%).

Wheat, barley, corn and soybean meal are all key components of the feed ration for pork and poultry production. Their lower prices are widening the margins for both meat production, leading to future growth in output down the road.

Overall, EU28 grain prices still trade significantly above their 5 year average, and as a result continue to impact the profitability of pig producers. EU pork farmers managed their losses by further lowering sow herds (-3.4% in December 2011 survey, -4.5% in December 2012). However, during the Spring 2013, a combination of lower cereals and 15 to 20 year high pork carcass prices led to a return of profitability. This pattern continued during H1 2014, due to further drops in cereals price levels. And despite the implementation of the new EU legislation on sow stall barns, sow populations stabilized somewhat with the December survey showing a decrease of only -0.9%. Results from several countries of the winter 2013 surveys show similar patterns of decreased breeding populations, but with lesser amplitude than the trend initiated more than 3 years ago. Several key EU28 pork meat producer countries show additional cuts (Germany: -3.0%, Spain: -1.5%, France: -3.1%, Poland: -5.6%, Italy: -5.0%) while 2 countries show stability to slight increase (Denmark: +2.4%, Netherlands: +1.3%). Eastern Europe (-3.4%) continues to be more affected than the EU28 average (-1.6%). As a result, it is expected that sow and pig herds will stabilize and start to increase starting Q4 2014. These decisions impact pork meat output with a 10 to 12 months delayed effect.

During 2013, EU28 pork production displayed heterogeneous, and slightly better than expected results, with estimated output down slightly -0.1% to 21.9 million MT. On one hand, the total production rose in Germany (+0.3%), Belgium (+2.1%), Italy (+0.3%), and United Kingdom (+1.0%). On the other hand, the opposite occurred in France (-0.9%), the Netherlands (-3.7%), Denmark (-0.9%), Spain (-0.8%) and Poland (-0.6%). As a result, prices have risen less than anticipated on a full year basis.

During H1 2014, on one hand, slaughter output is down across the board (EU28: -0.8%), with significant differences by country: Germany (-1.8%), Netherlands (+0.9%), Denmark (-2.9%), France (-1.2%), Spain (+2.5%), Poland (+7.5%). On the other hand, H1 prices decreased due to the ban of Russia pork meat imports from EU28, a consequence of a few cases of African Swine Fever in Eastern Europe. Russia was historically Europe's largest export destination, representing 4% of total production. Prices dropped from January to March as a result of sudden excess supply. During the same period, USA pork carcass prices rose to record levels due to PED (Porcine Epidemic Diarrhea), affecting dramatically the current and future supply. Estimations are that USA production could drop between -6% to -8% on a yearly basis, with peaks of -10% to -12% during the summer, a substantial decrease compared to previous year.

Year to date 2014, EU28 sales to third countries decreased -9.9% against the same period last year, mainly due to the ban of exports to Russia and geopolitical tensions in Ukraine. European clients decreased their pork orders by -73%, with Russia lower by -79%, Ukraine (-47%) and Belarus (-82%). Overall Asian imports increased +18% with two distinct groups. On one hand, South Korea, Philippines and Japan volumes rose +98%, +29% and +71%. On the other hand, China consolidates its position as the largest client of EU28 trade bloc with 38% of transacted volumes, despite a slight drop in volume (-0.5%).

Due to the African Swine Fever and the consequent ban on European export of pork meat to Russia, EU28 pork carcass prices dropped in almost all countries. Their evolution reflected the heterogeneous supply conditions in each production basin. During H1 2014, the pork quotation decreased in Spain (-5.2%), France (-1.9%), Netherlands (-5.4%), Germany (-5.4%), Belgium (-4.7%). Italy (+3.7%) prices increased due to sharply lower slaughter volumes (-14.7% YTD).

Among all pork cuts, the value of hams rose in France (+4.9%) and Spain (+5.6%), but dropped in the Northern countries most penalized by the Russian ban (-1.7% in Germany). The ham to pig price ratios rose from their low levels, a sign of consumers gradually returning to higher relative value cuts in parallel with the progress witnessed with economic recovery in EU28. Shoulders decreased everywhere, from – 0.5% in Spain, -1.2% in France, to -6.5% in Germany. After dropping all last year, belly prices continued their fall in Spain (-5.5%), France (-1.9%), Belgium (-6.0%), Germany (-13.2%). Fat, jowls, trimmings all traded below their year ago levels.

European chicken market carcass prices have decreased in the first 6 months of 2014 (from -2.6% in France to -0.5% in Spain, or -3.2% in Poland). Fresh European turkey (-8.0%) was also lower during the same period.

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 2014, the average pork meat price purchased by the Company increased +0.2% 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 2014 rose by +0.4% versus the same period last year.

Results of Operations

Comparison of the six month period ended June 30, 2014 and the six month period ended June, 2013

Operating Revenues

The following table sets forth a detailed breakdown of our operating revenues for the six month period ended June 30, 2014 and June 30, 2013.

Operating revenues	**Six month period ended June 30,**			
	2014		**2013**	
	Actual (unaudited)	% of total oper. revenues	**Actual (unaudited)**	% of total oper. revenues
Net sales and services	910,545	99.4%	903,142	99.0%
% increase in Net Sales and Services	*0.8%*			
Capitalized expenses on Company's fixed assets	116	0.0%	2,796	0.3%
Other operating revenue	5,140	0.6%	6,576	0.7%
Total operating revenues	**915,801**	**100,0%**	**912,514**	**100.0%**
% increase in total operating revenues	*0,4%*			

Operating revenues increased by 0.4% to €915.8 million for the six month period ended June 30, 2014 from €912.5 million for the same period of 2013. Net sales increase by 0.8% to €910.5 million for the six month period ended June, 2014 compared with €903.1 million in the same period of 2013. These results are achieved in highly competitive market based on a 2.5% volume increase strengthening branded products market share.

Operating Expenses

The following table sets forth a detailed breakdown of operating expenses for the six month period ended June 30, 2014 and June 30, 2013.

Operating expenses	**Six month period ended June 30,**			
	2014		**2013**	
	Actual (unaudited)	% of total oper. revenues	**Actual (unaudited)**	% of total oper. revenues
Consumption of goods and other external charges	(506,055)	(55.3%)	(498,570)	(54.6%)
Employee benefits expense	(162,989)	(17.8%)	(165,369)	(18.1%)
Depreciation and amortization	(35,130)	(3.8%)	(30,965)	(3.4%)
Other operating expenses	(181,715)	(19.8%)	(185,479)	(20.3%)
Changes in trade provisions	(1,793)	(0.2%)	(1,284)	(0.1%)
Total operating expenses	**(887,682)**	**(96.9%)**	**(881,667)**	**(96.6%)**
% increase in total operating expenses	*0.7%*			

Operating expenses increased by 0.7% to €887.7 million for the six month period ended June 30, 2014 compared with €881.7 million for the same period of 2013. Operating expenses constituted 96.9% and 96.6% of total operating revenues for the six month period ended June 30, 2014 and 2013, respectively.

Consumption of Goods and Other External Charges

Consumption of goods and other external charges increased by 1.5% to €506.1 million for the six month period ended June 30, 2014 from €498.6 million for the same period of 2013. Consumption of goods and other external charges constituted 55.3% and 54.6% in percentage of total operating revenues for the six month period ended June 30, 2014 and 2013, respectively.

Employee Benefits Expenses

Employee benefits expenses decreased by 1.4% to €163.0 million for the six month period ended June 30, 2014 from €165.4 million for the same period of 2013. Employee benefits expenses constituted 17.8% and 18.1% in percentage total operating revenues, respectively.

Depreciation and Amortization

Depreciation and amortization increased by 13.5% to €35.1 million for the six month period ended June 30, 2014 from €31.0 million for the same period of 2013. Depreciation and amortization represented 3.8% and 3.4% of total operating revenues for the six month period ended June 30, 2014 and 2013, respectively. The increase is mainly related to the amortization charge of the new ERP system, which roll-out phases ended in 2013.

Other Operating Expenses

Other operating expenses decreased by 2.0% to €181.7 million for the six month period ended June 30, 2014 from €185.5 million for the same period of 2013. The decrease reflect company efforts to reduce cost and increase efficiency and profitability.

Other Results

For the six month period ended June 30, 2014 and 2013, other results amounted to €6.7 million loss and €5.8 million loss, respectively. Other Results are comprised of our share of profit / (loss) of investments accounted for using the equity method as well as accrued provision to cover risk associated to those investments.

Finance and Tax Expenses

Finance Revenue and Finance Costs

Net finance cost decreased by €0.8 million to €25.5 million for the six month period ended June 30, 2014, from €26.3 million in the same period 2013.

Income Tax Expenses

Income tax amounted to €1.0 million loss for the six month period ended June 30, 2014, compared to €2.1 million loss in the same period of 2013.

Profit (Loss) for the Period

Profit (Loss) for the Period amounted to €4.2 million loss in the six month period ended June 30, 2014, compared to a €1.1 million gain in the same period of 2013.

Operating Segment Reporting

Net sales and services	Six month period ended June 30,			
	2014		2013	
	Actual (unaudited)	% of total	Actual (unaudited)	% of total
Southern Europe	523,523	57,5%	512,031	56,7%
Northern Europe	386,984	42.5%	390,892	43,3%
Other	28,774	3.2%	27,722	3,1%
Eliminations	(28,736)	(3.2%)	(27,503)	(3.0%)
Total net sales and services	**910,545**	**100,0%**	**903,142**	**100,0%**

EBITDA (normalized)	Six month period ended June 30,			
	2014		2013	
	Actual (unaudited)	% of total	Actual (unaudited)	% of total
Southern Europe	32,160	50.8%	27,360	44.2%
Northern Europe	30,577	48.3%	30,412	49,2%
Other	571	0.9%	4,086	6.7%
Total EBITDA	**63,308**	**100,0%**	**61,858**	**100,0%**
% EBITDA normalized margin over Net Sales				
Southern Europe	6.1%		5.3%	
Northern Europe	7.9%		7.8%	
Other	2.0%		14,7%	
Total EBITDA	**7.0%**		**6.8%**	

Southern Europe

Net sales in Southern Europe increased by 2.2% to €523.5 million for the six month period ended June 30, 2014 from €512.0 million for the same period of 2013. Net sales in Spain and Portugal are higher than previous year figures due to increase volumes driven by recovery plans.

Normalized EBITDA amounted to €32.2 million for the six month period ended June 30, 2014 compared to €27.4 million for the same period of 2013. Normalized EBITDA margin over net sales for the six month period ended June 30, 2014 reached 6.1% showing an increase over previous period of 80 basis points. EBITDA improvement is found in all countries.

Northern Europe

Net Sales in Northern Europe decreased by 1.0% to €387.0 million in the six month period ended June 30, 2014 from €390.9 million in the same period of 2013. Decrease is caused by delays in the launch of promotional plans in the first quarter.

The Normalized EBITDA for six month period ended June 30, 2014 reached €30.6 million compared with €30.4 million for the same period of 2013. Margin over net sales for the six month period ended June 30, 2014 was 7.9% showing an increase over previous period of 12 basis points. Despite EBITDA in the first three months of 2014 being lower than the same period in 2013, now in June, the six month period is exceeding 2013 thanks to top line efforts along with productivity successes in the second quarter of the year.

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 six month period ended June 30, 2014, cash flow from operating activities amounted to €15.7 million cash out compared to €0.8 million cash in for the same period of 2013. This variance was primarily attributable to higher an increase in working capital , impacted by stock variation, as meat purchases have been brought forward and higher provisions payments.

Cash Used in Investing Activities

For the six month period ended June 30, 2014, cash flow from investing activities amounted to €24.2 million cash out, compared to €34.3 million cash out for the same period of 2013. Capital Expenditures amounted to €24.6 million in the six month period ended June 30, 2014 and €34.5 million in the same period last year.

Cash Flow from Financing Activities

For the six month period ended June 30, 2014, cash flow from financing activities amounted to €2.7million cash in compared to €23.6 million cash out for the same period last year. The variation of cash flow from financing activities is mainly explained by the sales of treasury shares in 2014 generating a cash in of €20.4 million.

Comparison of the three month period ended June 30, 2014 and the three month period ended June, 2013

Operating Revenues

The following table sets forth a detailed breakdown of our operating revenues for the three month period ended June 30, 2014 and June 30, 2013.

Operating revenues	**Three month period ended June 30,**			
	2014		**2013**	
	Actual (unaudited)	% of total oper. revenues	**Actual (unaudited)**	% of total oper. revenues
Net sales and services	474,066	99.4%	461,553	98.8%
% increase in Net Sales and Services	*2.7%*			
Capitalized expenses on Company's fixed assets	102	0.0%	1,442	0.3%
Other operating revenue	2,872	0.6%	3,970	0.9%
Total operating revenues	**477,040**	**100,0%**	**466,965**	**100.0%**
% increase in total operating revenues	*2.2%*			

Operating revenues increased by 2.2% to €477.0 million for the three month period ended June 30, 2014 from €467.0 million for the same period of 2013. Net sales increase by 2.7% to €474.1 million for the six month period ended June, 2014 compared with €461.6 million in the same period of 2013.

Operating Expenses

The following table sets forth a detailed breakdown of operating expenses for the three month period ended June 30, 2014 and June 30, 2013.

Operating expenses	**Three month period ended June 30,**			
	2014		**2013**	
	Actual (unaudited)	% of total oper. revenues	**Actual (unaudited)**	% of total oper. revenues
Consumption of goods and other external charges	(268,028)	(56.2%)	(254,253)	(54.4%)
Employee benefits expense	(79,547)	(16.7%)	(79,656)	(17.1%)
Depreciation and amortization	(17,535)	(3.7%)	(15,653)	(3.4%)
Other operating expenses	(93,625)	(19.6%)	(95,993)	(20.6%)
Changes in trade provisions	(532)	(0.1%)	(671)	(0.1%)
Total operating expenses	**(459,267)**	**(96.3%)**	**(446,226)**	**(95.6%)**
% increase in total operating expenses	*2.9%*			

Operating expenses increased by 2.9% to €459.3 million for the three month period ended June 30, 2014 compared with €446.2 million for the same period of 2013. Operating expenses constituted 96.3% and 95.6% of total operating revenues for the six month period ended June 30, 2014 and 2013, respectively.

Consumption of Goods and Other External Charges

Consumption of goods and other external charges increased by 5.4% to €268.0 million for the three month period ended June 30, 2014 from €254.3 million for the same period of 2013. Consumption of goods and other external charges constituted 56.2% and 54.4% in percentage of total operating revenues for the six month period ended June 30, 2014 and 2013, respectively.

Employee Benefits Expenses

Employee benefits expenses decreased by 0.1% to €79.5 million for the three month period ended June 30, 2014 from €79.7 million for the same period of 2013. Employee benefits expenses constituted 16.7% and 17.1% in percentage total operating revenues, respectively.

Depreciation and Amortization

Depreciation and amortization increased by 12.0% to €17.5 million for the three month period ended June 30, 2014 from €15.7 million for the same period of 2013. Depreciation and amortization represented 3.7%

and 3.4% of total operating revenues for the six month period ended June 30, 2014 and 2013, respectively. The increase is mainly related to the amortization charge of the new ERP system, which roll-out phases ended in 2013.

Other Operating Expenses

Other operating expenses decreased by 2.5% to €93.6 million for the three month period ended June 30, 2014 from €96.0 million for the same period of 2013. The decrease reflect company efforts to reduce cost and increase efficiency and profitability.

Other Results

For the three month period ended June 30, 2014 and 2013, Other Results amounted to €2.4 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 as well as accrued provision to cover risk associated to those investments.

Finance and Tax Expenses

Finance Revenue and Finance Costs

Net finance cost decreased by €1.0 million to €12.4 million for the three month period ended June 30, 2014, from €13.4 million in the same period 2013.

Income Tax Expenses

Income tax amounted to €2.8 million loss for the three month period ended June 30, 2014, compared to €3.8 million loss in the same period of 2013.

Profit (Loss) for the Period

Profit (Loss) for the Period amounted to €0.3 million gain in the three month period ended June 30, 2014, compared to a €5.1 million gain in the same period of 2013.

Operating Segment Reporting

Net sales and services	Three month period ended June 30,			
	2014		2013	
	Actual (unaudited)	% of total	Actual (unaudited)	% of total
Southern Europe	270,724	57,1%	266,755	57,8%
Northern Europe	202,558	42.7%	196,073	42,5%
Other	15,405	3.2%	14,227	3,1%
Eliminations	(14,621)	(3.1%)	(15,502)	(3.4%)
Total net sales and services	**474,066**	**100,0%**	**461,553**	**100,0%**

EBITDA (normalized)	Three month period ended June 30,			
	2014		2013	
	Actual (unaudited)	% of total	Actual (unaudited)	% of total
Southern Europe	17,859	50.5%	17,477	48.4%
Northern Europe	17,202	48.7%	16,323	45,2%
Other	283	0.8%	2,313	6.4%
Total EBITDA	**35,344**	**100,0%**	**36,113**	**100,0%**

% EBITDA normalized margin over Net Sales		
Southern Europe	6.6%	6.6%
Northern Europe	8.5%	8.3%
Other	1.8%	16.3%
Total EBITDA	**7.5%**	**7.8%**

Southern Europe

Net sales in Southern Europe increased by 1.5% to €270.7 million for the three month period ended June 30, 2014 from €266,8 million for the same period of 2013. Net sales in Spain and Portugal, are higher than previous year figures due to increase volumes driven by recovery plans.

Normalized EBITDA amounted to €17.9 million for the three month period ended June 30, 2014 compared to €17.5 million for the same period of 2013. Normalized EBITDA margin over net sales for the three month period ended June 30, 2014 reached 6.6% showing an increase over previous period of 5 basis points. With a good start in the first 3 months of the year in terms of EBITDA, the margin continues to be higher than the same period in 2013.

Northern Europe

Net Sales in Northern Europe increased by 3.3% to €202.6 million in the three month period ended June 30, 2014 from €196.1 million in the same period of 2013. Delays in the promotional plan caused first quarter sales to be lower than the same period in 2013, however with the full launch in the second quarter of the year, net sales growth is being achieved, notably net sales in France are 7% higher than the same three month period in 2013, and in Germany 5% higher.

The Normalized EBITDA for three month period ended June 30, 2014 reached €17.2 million compared with €16.3 million for the same period of 2013. Margin over net sales for the three month period ended June 30, 2014 was 8.5% showing an increase over previous period of 17 basis points. EBITDA is 5.4% higher than the same three month period in 2013, driven mainly by EBITDA improvements in France, which is further ahead in top line strategy implementation.

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 three month period ended June 30, 2014, cash flow from operating activities amounted to €0.9 million cash in compared to €3.5 million cash out for the same period of 2013. The variation is mainly attributable to a higher working capital.

Cash Used in Investing Activities

For the three month period ended June 30, 2014, cash flow from investing activities amounted to €16.3 million cash out, compared to €19.6 million cash out for the same period of 2013. Capital Expenditures amounted to €16.5 million in the six month period ended June 30, 2014 and €19.7 million in the same period last year.

Cash Flow from Financing Activities

For the three month period ended June 30, 2014, cash flow from financing activities amounted to €0.1 million cash in compared to €25.4 million cash out for the same period last year. The variation of cash flow from financing activities is mainly explained by the sales of treasury shares in 2014 generating a cash in of €20.4 million.

RECENT DEVELOPMENTS

On December 23, 2013, the two principal shareholders of Campofrío Food Group, Sigma Alimentos, S.A. de C.V. (Sigma) and WH Group reached an agreement whereby WH joined Sigma in the takeover bid for shares presented by Sigma on November 14, 2013. Sigma Europa would thus hold approximately 81.71% of Campofrío share capital prior to or on completion of the bid. Following bid completion, WH Group's indirect ownership in Campofrío would be 36.99% and Sigma's indirect ownership in Campofrío will be 44.72%, plus the shares acquired in the bid.

On June 09, 2014, the National Securities Market Commission (CNMV) announced the success of the takeover bid jointly offered by Sigma Alimentos S.A. de C.V. and WH Group Limited, through Sigma & WH Food Europe, S.L.U. (formerly known as Alimentos Europa,S.L.U.).

On June 25, 2014, at the General Shareholders Meeting, in accordance with the Board of Directors proposals, the delisting of the shares representing the entire share capital of Campofrío Food Group SA was approved. CFG´s shares are listed on the stock exchanges of Madrid and Barcelona and the electronic trading system in Spain.

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.