



## **CAMPOFRIO FOOD GROUP**

UNAUDITED INTERIM SELECTED  
CONSOLIDATED FINANCIAL INFORMATION  
SIX MONTH PERIOD ENDED  
30<sup>TH</sup> JUNE 2017

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## INTRODUCTION

In March 2015, CAMPOFRIO FOOD GROUP, S.A.U. (“Campofrío Food Group” or the “Company”), incorporated as a public limited company (*sociedad anónima*) under the laws of Spain, issued €500 million aggregate principal amount of its 3.375% Senior Notes due 2022 (the “Notes”) at a price of 100.000%. The Company pays interest on the Notes semi-annually on each March 15 and September 15.

On February 21, 2017 and on March 23, 2017, the Company carried out two partial redemption of the Notes amounting to €50.0 million each, at a price of 103.0% plus accrued interest. As a result, the outstanding principal amount of the Notes currently amounts to €400.0 million.

Further, at any time on or after March 15, 2018, the Company may redeem all or part of the Notes by paying a specified premium to the holders. If the Company undergoes a change of control or sells 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 its 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 Notes are senior debt of Campofrío Food Group and rank *pari passu* in right of payment to all of Campofrío Food Group’s existing and future senior indebtedness. The Notes are guaranteed on a senior basis by certain of the Company’s 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 new 3.375% Notes maturing in 2022, the Company redeemed all of its outstanding 8.250% Senior Notes due 2016, including applicable premium and accrued and unpaid interest, and paid related fees and expenses in connections with the Offering. The redemption of the outstanding 8.250% Senior Notes due 2016 was executed on April 2, 2015.

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

Campofrío Food Group  
(In Thousands of Euros)

|   | Six month ended June 30, |                                |                       |                                 |
|---|--------------------------|--------------------------------|-----------------------|---------------------------------|
|   | 2017                     |                                | 2016                  |                                 |
|   | Actual<br>(unaudited)    | % of total<br>oper.<br>revenue | Actual<br>(unaudited) | % of total<br>oper.<br>revenues |
| <b>Operating revenues</b>                               |                          |                                |                       |                                 |
| Net sales and services                                  | 945,317                  | 95.4%                          | 916,533               | 98.4%                           |
| Increase in inventories                                 | 38,569                   | 3.9%                           | 13,103                | 1.4%                            |
| Capitalized expenses on Company's work on assets        | 3,451                    | 0.3%                           | 16                    | 0.0%                            |
| Other operating revenue                                 | 3,490                    | 0.4%                           | 1,996                 | 0.2%                            |
| <b>Total operating revenues</b>                         | <b>990,827</b>           | <b>100.0%</b>                  | <b>931,648</b>        | <b>100.0%</b>                   |
| <b>Operating expenses</b>                               |                          |                                |                       |                                 |
| Consumption of goods and other external charges         | (574,000)                | (57.9%)                        | (504,287)             | (54.1%)                         |
| Employee benefits expense                               | (159,396)                | (16.1%)                        | (162,956)             | (17.5%)                         |
| Depreciation and amortization                           | (27,542)                 | (2.8%)                         | (23,977)              | (2.6%)                          |
| Changes in trade provisions                             | (1,782)                  | (0.2%)                         | (1,728)               | (0.2%)                          |
| Other operating expenses                                | (187,067)                | (18.9%)                        | (195,787)             | (21.0%)                         |
| <b>Total operating expenses</b>                         | <b>(949,787)</b>         | <b>(95.9%)</b>                 | <b>(888,735)</b>      | <b>(95.4%)</b>                  |
| Impairment of non - current assets                      | (71)                     | 0.00%                          | -                     | 0.00%                           |
| <b>Operating profit</b>                                 | <b>40,969</b>            | <b>4.1%</b>                    | <b>42,913</b>         | <b>4.6%</b>                     |
| Financial expenses, net                                 | (14,805)                 | (1.5%)                         | (11,718)              | (1.3%)                          |
| Other results   | 317                      | 0.0%                           | 981                   | 0.1%                            |
| <b>Profit (loss) before tax</b>                         | <b>26,481</b>            | <b>2.7%</b>                    | <b>32,176</b>         | <b>3.5%</b>                     |
| Income taxes  | (9,214)                  | (0.9%)                         | (11,911)              | (1.3%)                          |
| <b>Profit for the period from continuing operations</b> | <b>17,267</b>            | <b>1.7%</b>                    | <b>20,265</b>         | <b>2.2%</b>                     |
| <b>Profit for the period</b>                            | <b>17,267</b>            | <b>1.7%</b>                    | <b>20,265</b>         | <b>2.2%</b>                     |
| Non-controlling interests                               | -                        | -                              | -                     | -                               |
| Attributable to equity holders of the parent company    |                          |                                |                       |                                 |

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

## CONSOLIDATED INCOME STATEMENT

Campofrío Food Group  
(In Thousands of Euros)

|   | Three month ended June 30, |                                |                       |                                 |
|---|----------------------------|--------------------------------|-----------------------|---------------------------------|
|   | 2017                       |                                | 2016                  |                                 |
|   | Actual<br>(unaudited)      | % of total<br>oper.<br>revenue | Actual<br>(unaudited) | % of total<br>oper.<br>revenues |
| <b>Operating revenues</b>                               |                            |                                |                       |                                 |
| Net sales and services                                  | 488,717                    | 96.0%                          | 472,278               | 99.6%                           |
| Increase in inventories                                 | 16,306                     | 3.2%                           | 745                   | 0.2%                            |
| Capitalized expenses on Company's work on assets        | 1,694                      | 0.3%                           | 12                    | 0.0%                            |
| Other operating revenue                                 | 2,443                      | 0.5%                           | 1,044                 | 0.2%                            |
| <b>Total operating revenues</b>                         | <b>509,160</b>             | <b>100.0%</b>                  | <b>474,079</b>        | <b>100.0%</b>                   |
| <b>Operating expenses</b>                               |                            |                                |                       |                                 |
| Consumption of goods and other external charges         | (299,032)                  | (58.7%)                        | (254,743)             | (53.7%)                         |
| Employee benefits expense                               | (80,547)                   | (15.8%)                        | (84,367)              | (17.8%)                         |
| Depreciation and amortization                           | (14,005)                   | (2.8%)                         | (12,025)              | (2.5%)                          |
| Changes in trade provisions                             | (1,168)                    | (0.2%)                         | (1,317)               | (0.3%)                          |
| Other operating expenses                                | (91,136)                   | (17.9%)                        | (100,248)             | (21.1%)                         |
| <b>Total operating expenses</b>                         | <b>(485,888)</b>           | <b>(95.4%)</b>                 | <b>(452,700)</b>      | <b>(95.5%)</b>                  |
| Impairment of non - current assets                      |                            |                                |                       |                                 |
| <b>Operating profit</b>                                 | <b>23,272</b>              | <b>4.6%</b>                    | <b>21,379</b>         | <b>4.5%</b>                     |
| Financial expenses, net                                 | (5,356)                    | (1.1%)                         | (5,851)               | (1.2%)                          |
| Other results   | 251                        | 0.0%                           | 522                   | 0.1%                            |
| <b>Profit (loss) before tax</b>                         | <b>18,167</b>              | <b>3.6%</b>                    | <b>16,050</b>         | <b>3.4%</b>                     |
| Income taxes  | (5,942)                    | (1.2%)                         | (7,916)               | (1.7%)                          |
| <b>Profit for the period from continuing operations</b> | <b>12,225</b>              | <b>2.4%</b>                    | <b>8,134</b>          | <b>1.7%</b>                     |
| <b>Profit for the period</b>                            | <b>12,225</b>              | <b>2.4%</b>                    | <b>8,134</b>          | <b>1.7%</b>                     |
| Non-controlling interests                               | -                          | -                              | -                     | -                               |
| Attributable to equity holders of the parent company    |                            |                                |                       |                                 |

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Campofrío Food Group  
(In Thousands of Euros)

|   | Consolidated statement of financial position at, |                         |
|---|--|-------------------------|
|   | Jun 30, 2017                                     | Jun 30, 2016            |
|   | Actual<br>(unaudited)                            | Restated<br>(unaudited) |
| <b><u>ASSETS</u></b>  |  |                         |
| Property, plant and equipment   | 743,129  | 605,606                 |
| Goodwill  | 450,376  | 460,193                 |
| Other intangible assets   | 258,357  | 268,640                 |
| Non-current financial assets  | 388  | 3,088                   |
| Investments accounted for under the equity method                     | 31,988   | 33,004                  |
| Deferred tax assets   | 100,155  | 108,862                 |
| <b>Total non-current assets</b>                                       | <b>1,584,393</b>                                 | <b>1,479,393</b>        |
| Biological Assets   | 2,630  | -                       |
| Inventories   | 379,019  | 355,545                 |
| Trade and other receivables   | 148,743  | 154,572                 |
| Other current financial assets  | 390  | 390                     |
| Other current assets  | 7,861  | 8,798                   |
| Cash and cash equivalents   | 251,316  | 282,412                 |
| <b>Total current assets</b>   | <b>789,959</b>                                   | <b>801,717</b>          |
| <b>Assets classified as held for sale and discontinued operations</b> | <b>-</b>   | <b>-</b>                |
| <b>TOTAL ASSETS</b>   | <b>2,374,352</b>                                 | <b>2,281,110</b>        |
| <b><u>EQUITY AND LIABILITIES</u></b>                                  |  |                         |
| Equity attributable to equity holders of the parent                   | 834,869  | 799,532                 |
| <b>Equity</b>   | <b>834,869</b>                                   | <b>799,532</b>          |
| Debentures  | 395,687  | 493,576                 |
| Interest-bearing loans and borrowings                                 | -  | -                       |
| Other financial liabilities   | 11,948   | 11,208                  |
| Debts with group and associated companies                             | 103,000  | -                       |
| Deferred tax liabilities  | 132,962  | 147,599                 |
| Other non-current liabilities   | 147  | 147                     |
| Provisions  | 33,042   | 45,357                  |
| <b>Total non-current liabilities</b>                                  | <b>676,786</b>                                   | <b>697,887</b>          |
| Debentures  | 3,938  | 4,922                   |
| Interest-bearing loans and borrowings                                 | 77   | 8,714                   |
| Trade and other payables  | 724,416  | 672,013                 |
| Other financial liabilities   | 2,731  | 1,738                   |
| Interest with group and associated companies                          | -  | -                       |
| Creditor for income tax   | 6,112  | 3,125                   |
| Provisions  | 7,007  | 7,663                   |
| Other current liabilities   | 118,416  | 85,516                  |
| <b>Total current liabilities</b>                                      | <b>862,697</b>                                   | <b>783,691</b>          |
| <b>Liabilities associated to operations on sale or discontinued</b>   | <b>-</b>   | <b>-</b>                |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                   | <b>2,374,352</b>                                 | <b>2,281,110</b>        |

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

## CONSOLIDATED CASH FLOW STATEMENT

### Campofrío Food Group

(In Thousands of Euros)

|   | Six month ended June 30, |                         |
|---|--------------------------|-------------------------|
|   | 2017                     | 2016                    |
|   | Actual<br>(unaudited)    | Restated<br>(unaudited) |
| <b>Operating flows before changes in working capital</b>    | <b>61,485</b>            | <b>61,048</b>           |
| Changes in working capital                                  | (30,883)                 | (38,416)                |
| <b>Cash flows from operating activities</b>                 | <b>30,602</b>            | <b>22,632</b>           |
| Net interest payments                                       | (9,481)                  | (10,034)                |
| Provision and pensions payment                              | (5,918)                  | (8,395)                 |
| Income tax paid   | (5,589)                  | (6,523)                 |
| Other collection and payments                               | 1,090                    | 126                     |
| <b>Net cash flows from operating activities</b>             | <b>10,704</b>            | <b>(2,194)</b>          |
| Investments in property, plant and equipment                | (94,606)                 | (47,447)                |
| Divestment in Joint Ventures                                | -                        | -                       |
| Other cash flows from investing operations, net             | 205                      | 1                       |
| <b>Net cash flows from investing activities</b>             | <b>(94,401)</b>          | <b>(47,446)</b>         |
| Changes in financial assets and liabilities                 | (5,687)                  | 107                     |
| Debt with associated company                                | 103,000                  | -                       |
| Repayments of bank debt                                     | -                        | -                       |
| Repayments of debentures and bonds                          | (100,000)                | -                       |
| <b>Net cash flows from financing activities</b>             | <b>(2,687)</b>           | <b>107</b>              |
| <b>Net increase/(decrease) in cash and cash equivalents</b> | <b>(86,384)</b>          | <b>(49,533)</b>         |
| Cash and cash equivalents at beginning of period            | 337,700                  | 331,946                 |
| Cash and cash equivalents at end of period                  | 251,316                  | 282,413                 |

  

|   | Three month ended June 30, |                         |
|---|----------------------------|-------------------------|
|   | 2017                       | 2016                    |
|   | Actual<br>(unaudited)      | Restated<br>(unaudited) |
| <b>Operating flows before changes in working capital</b>    | <b>33,692</b>              | <b>26,304</b>           |
| Changes in working capital                                  | (13,423)                   | 11,808                  |
| <b>Cash flows from operating activities</b>                 | <b>20,269</b>              | <b>38,111</b>           |
| Net interest payments                                       | (551)                      | (722)                   |
| Provision and pensions payment                              | (4,309)                    | (5,456)                 |
| Income tax paid   | (2,949)                    | (2,951)                 |
| Other collection and payments                               | 1,090                      | 126                     |
| <b>Net cash flows from operating activities</b>             | <b>13,550</b>              | <b>29,108</b>           |
| Investments in property, plant and equipment                | (54,146)                   | (21,486)                |
| Divestment in Joint Ventures                                | -                          | -                       |
| Other cash flows from investing operations, net             | (93)                       | 3                       |
| <b>Net cash flows from investing activities</b>             | <b>(54,239)</b>            | <b>(21,489)</b>         |
| Changes in financial assets and liabilities                 | (1,971)                    | (664)                   |
| Debt with associated company                                | -                          | -                       |
| Repayments of bank debt                                     | -                          | -                       |
| Repayments of debentures and bonds                          | -                          | -                       |
| <b>Net cash flows from financing activities</b>             | <b>(1,971)</b>             | <b>(664)</b>            |
| <b>Net increase/(decrease) in cash and cash equivalents</b> | <b>(42,660)</b>            | <b>6,955</b>            |
| Cash and cash equivalents at beginning of period            | 293,976                    | 275,458                 |
| Cash and cash equivalents at end of period                  | 251,316                    | 282,413                 |

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

OTHER SELECTED CONSOLIDATED FINANCIAL INFORMATION  
 Campofrío Food Group  
 (In Thousands of Euros)

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

|   | <b>Six month ended June 30,</b> |                      |
|---|---------------------------------|----------------------|
|   | <b>2017</b>                     | <b>2016</b>          |
|   | <b>Actual</b>                   | <b>Actual</b>        |
|   | <b>(unaudited)</b>              | <b>(unaudited)</b>   |
| <b>Profit for the period attributable to equity holders of the parent company</b> | 17,267                          | 20,265               |
| Profit (loss) after tax for the period from discontinued operations               | -                               | -                    |
| Income taxes  | 9,214                           | 11,911               |
| Other results   | (317)                           | (981)                |
| Financial expenses, net   | 14,805                          | 11,718               |
| Impairment of assets  | 71                              | -                    |
| Depreciation and amortization   | 27,542                          | 23,977               |
| <b><u>EBITDA Reported</u></b>   | <b><u>68,582</u></b>            | <b><u>66,890</u></b> |

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

|   | <b>Three month ended June 30,</b> |                      |
|---|-----------------------------------|----------------------|
|   | <b>2017</b>                       | <b>2016</b>          |
|   | <b>Actual</b>                     | <b>Actual</b>        |
|   | <b>(unaudited)</b>                | <b>(unaudited)</b>   |
| <b>Profit for the period attributable to equity holders of the parent company</b> | 12,225                            | 8,124                |
| Profit (loss) after tax for the period from discontinued operations               | -                                 | -                    |
| Income taxes  | 5,942                             | 7,916                |
| Other results   | (251)                             | (522)                |
| Financial expenses, net   | 5,356                             | 5,851                |
| Impairment of assets  | -                                 | -                    |
| Depreciation and amortization   | 14,005                            | 12,025               |
| <b><u>EBITDA Reported</u></b>   | <b><u>37,277</u></b>              | <b><u>33,404</u></b> |

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

# EXPLANATORY NOTES TO THE UNAUDITED INTERIM SELECTED CONSOLIDATED FINANCIAL INFORMATION

## ***Corporate Information***

Campofrío Food Group, S.A.U. (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 September 5, 1996, the Company’s name was changed to Campofrío Alimentación, S.A. and on December 30, 2008, it was changed to the name, Campofrío Food Group, S.A. In 2015 the Company became a sole shareholder company (*sociedad unipersonal*) thus starting to use the acronym “S.A.U”.

Campofrío Food Group, S.A.U., for these purposes, is the parent of a group of companies consolidated under the full and equity consolidation methods. The Company is fully owned by Sigma Alimentos España S.L. and it is, therefore, a subsidiary of the Mexican group Sigma Alimentos within the ALFA conglomerate.

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 statement, consolidated statement of financial position and consolidated 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.U and subsidiaries Consolidated Financial Statements and Consolidated Management Report for the year ended December 31, 2016.

## ***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 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.

Main detailed information regarding the Company’s accounting policies is provided in Note 2 to our Consolidated Financial Statements for the year ended December 31, 2016.

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

This selected financial information could contain non-IFRS-EU measures and ratios, including 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, 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.

### ***Net Financial Debt, Liquidity and Capital Resources***

The following chart sets forth the Company's net Financial debt position as of June 30, 2017 and June 30, 2016.

| <b>NET FINANCIAL DEBT</b><br><i>(In Thousands of Euros)</i> | <b>Six month ended June 30,</b> |                       |
|---|---------------------------------|-----------------------|
|   | <b>2017</b>                     | <b>2016</b>           |
| <u>Non-current financial debt</u>                           |                                 |                       |
| Debentures  | 395,687                         | 493,576               |
| Interest-bearing loans and borrowings                       | -                               | -                     |
| Other financial liabilities                                 | 11,948                          | 11,208                |
| Financial derivatives instruments                           | -                               | -                     |
| Debts with associated companies                             | 103,000                         | -                     |
| <u>Current financial debt</u>                               |                                 |                       |
| Debentures  | 3,938                           | 4,922                 |
| Interest-bearing loans and borrowings                       | 77                              | 8,714                 |
| Other financial liabilities                                 | 1,919                           | 1,738                 |
| Interest with associated companies                          | 812                             | -                     |
| <u>Current financial assets</u>                             |                                 |                       |
| Other current financial assets                              | (390)                           | (390)                 |
| Cash and cash equivalents                                   | (251,316)                       | (282,412)             |
| <b><u>Total Net Financial Debt</u></b>                      | <b><u>265,675</u></b>           | <b><u>237,356</u></b> |

As of June 30, 2017, the Company's net financial debt, as expected, is €90.3 million higher than in December, 2016 and €28.3 million above the same period last year as a consequence of the cash decrease related to the payments of the remaining investments pertaining to the new factory. Besides, Gross Debt which consists mainly of the €400 million outstanding bonds after the two redemption operations undertook in the first quarter (amounting to €50 million each for a total of €100 million) and the €103 million equivalent shareholder loan, has decreased given that the remaining minor local bank lines have been repaid as well.

The Company's balance sheet continues to be rather straight-forward being all debt practically long-term and held at parent Company level without any refinancing risk whatsoever. In this sense, subsidiaries are debt-free and only some minor debt items (i.e. leasing, reimbursable grants, etc.) of rather negligible value on a global basis remain for the time being. Despite the expected cash reduction earmarked for the pending CAPEX, the Company's liquidity position keeps on being very solid amounting to €344.3 million as of June 30, 2017, consisting of €251.3 million in cash and cash equivalents, €93.0 million of fully available bank lines in Euros (€92.0 million committed lines and €1.0 million uncommitted lines) with thirteen different banks. As previously reported, the Company in conjunction with its shareholders has carried out a rationalization process to reduce the total amount of committed bank lines for the sake of simplification and bank fees savings, while at the same time the applicable terms and conditions have been enhanced and the maturities have been extended.

To this extent, it is worth nothing the very positive financial evolution of the Company, having significantly improved the resulting leverage ratio, as well as the related interest cover and debt-to-equity ratios, which is being recognized by a favourable evolution of the credit profile by the rating agencies that cover the Company.

The following tables set forth the situation of the Company's two main financing sources as of June 30, 2017 and June 30, 2016.

| <b>Debentures</b><br><i>(In Thousands of Euros)</i> | <b>Consolidated position at</b> |                       |
|---|---------------------------------|-----------------------|
|   | <b>30/06/2017</b>               | <b>30/06/2016</b>     |
| Non-current debentures                              | 395,687                         | 493,576               |
| Current debentures                                  | 3,938                           | 4,922                 |
| Principal   | -                               | -                     |
| Accrued interest                                    | 3,938                           | 4,922                 |
| <b><u>Total debentures</u></b>                      | <b><u>399,625</u></b>           | <b><u>498,498</u></b> |

| <b>Interest-bearing loans and borrowings</b><br><i>(In Thousands of Euros)</i> | <b>Consolidated position at</b> |                     |
|--|---------------------------------|---------------------|
|  | <b>30/06/2017</b>               | <b>30/06/2016</b>   |
| Debts with associated companies  | 103,000                         |                     |
| Bank loans and credit facilities   | -                               | 8,575               |
| Senior term loan   | -                               | 67                  |
| Credit lines   | -                               | 8,508               |
| Discounted bills payable   | -                               | -                   |
| Interest payable   | 77                              | 139                 |
| Interest with associated companies   | 812                             | -                   |
| <b><u>Total</u></b>  | <b><u>103,889</u></b>           | <b><u>8,714</u></b> |

The following table sets forth the situation of the Company's current and non-current other financial liabilities as of June 30, 2017 and June 30, 2016.

| <b>Other financial liabilities</b><br><i>(In thousands of €)</i> | <b>Consolidated position at</b><br><b>30/06/2017</b> |                     |                      | <b>Consolidated position at</b><br><b>30/06/2016</b> |                     |                      |
|--|--|---------------------|----------------------|--|---------------------|----------------------|
|  | <b>Non-current</b>                                   | <b>Current</b>      | <b>Total</b>         | <b>Non-current</b>                                   | <b>Current</b>      | <b>Total</b>         |
| Financial leases   | 5,117  | 1,309               | 6,426                | 5,563  | 1,417               | 6,980                |
| Other financial liabilities                                      | 6,831  | 610                 | 7,441                | 5,645  | 321                 | 5,966                |
| <b><u>Total</u></b>  | <b><u>11,948</u></b>                                 | <b><u>1,919</u></b> | <b><u>13,867</u></b> | <b><u>11,208</u></b>                                 | <b><u>1,738</u></b> | <b><u>12,946</u></b> |

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

### Overview

Campofrío Food Group is the largest European producer of packaged meat products based on net sales. Its products, which are sold under well established and leading brands or unbranded products for third parties, cover a broad range of packaged 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 seven European countries (Spain, France, Portugal, The Netherlands, Belgium, Italy and Germany), in the United States and presence in Romania through a joint venture; although we generate sales in approximately 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, 2017, the Company had Net Sales and Services and Reported EBITDA of €945.3 million and €68.6million, respectively. The Company is headquartered in Madrid, Spain.

The Company is primarily engaged in the production and sale of packaged 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 26 facilities and the final products are sold directly to customers, which include some of the largest retailers in Europe, including Carrefour, Ahold, Auchan, Delhaize 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 private label or retailer brand business.

### Factors Affecting Our Results of Operations

#### Raw Material Prices

| Pig carcass average price | Six month ended June 30, |      |      | % Increase (decrease) over prior period |               |
|---------------------------|--------------------------|------|------|---|---------------|
|                           | 2015                     | 2016 | 2017 | 2016 vs. 2015                           | 2017 vs. 2016 |
|                           | (price in €/kg)          |      |      |   |               |
| Spain Mercolleida         | 1.47                     | 1.33 | 1.66 | -9.6                                    | +24.6         |
| France MPB                | 1.36                     | 1.32 | 1.59 | -2.8                                    | +20.6         |
| Netherlands Monfoort      | 1.33                     | 1.28 | 1.61 | -3.6                                    | +25.3         |
| Belgium Danis             | 1.22                     | 1.16 | 1.47 | -5.0                                    | +26.8         |
| Germany AIM               | 1.43                     | 1.39 | 1.69 | -2.9                                    | +21.7         |
| Denmark DC                | 1.33                     | 1.30 | 1.53 | -2.2                                    | +18.1         |
| Italy                     | 1.22                     | 1.16 | 1.49 | -5.4                                    | +28.6         |

For the past 4 years, EU28 cereals prices have gradually decreased due to large harvests locally and in the main grain producing areas worldwide. EU28 2016 cereals production was disappointing and dropped to 296 MT (-4.4%). On one hand, soft wheat output dropped -10.0% (135.8MT), significantly below the 2015 level, due to poor yields in key countries (France, UK, Germany and Poland). On the other hand, the corn harvest rose to 60.4 MT, up 5.0%. During H1 2017, EU28 soft wheat, barley and corn prices respectively increased by +12.3%, 3.1%, +9.2%. 2017 production is expected equal to last year.

2016 US corn and soybean production rose significantly to 15.1 (+11.4%) and 4.3 (+9.7%) billion bushels, surpassing the previous historical records of 2014. Stock to use ratios continued their rise to decade high levels, pressuring prices lower. US ethanol generation now consumes 36.0% of the North American corn crop. In addition, South America (Brazil [114MT] and Argentina [58MT]) harvested a record soybean crop this past winter.

On a global basis for 2016, total world grain production rose to 2124 MT, up 112MT or +6.0% versus last year, amounting the largest historical crop. With increases for food, feed and industrial uses, consumption also reached an all-time high at 2090 MT. And campaign end stocks rose +7.0% to 516 MT, with stock to use ratio of 25.0% (15 year high).

Wheat, barley, corn and soybean meal are all key components of the feed ration for pork and poultry production. Their higher prices narrowed the margins for both meat production, leading to the current decrease in output.

During H1 2016, EU pork farmers responded to the lack of profitability by reducing significantly the sow herds (-3.9% in the Spring 2016 survey). The December 2016 survey displayed an improvement (-1.6% versus LY) but was nevertheless decreasing. Breeding population results from individual countries varied significantly: Germany: -3.3%, France: -1.1%, Holland: -2.9%, Spain: -2.1%, Italy: -4.2%, Denmark: -0.1% and Romania: -3.5% all contributed to the decrease. Poland: +5.4%, UK: +0.2%, Ireland: +4.7% were the only exceptions. These decisions impact pork meat output with a 10 to 12 months delayed effect.

During 2016, EU28 pork production rose to a record of 23.2 MT, up +1.2%. Performance was strong during the first half of the year (+2.2%), but uneven depending of the country. H1 2017 EU estimated pig production dropped by -1.3%. Several countries were severely affected: Germany (-2.6%) United Kingdom (-6.1%), France (-3.9%), Denmark (-8.0%), UK (-6.1%) and Italy (-5.6%). On the other hand, production in Spain (-0.8%), Poland (-0.2%), Holland (-0.2%) was only slightly lower. Pork carcass prices surged during the spring with the lower supply.

China's pig and sow population estimated decrease of 95 million and 9.5 million head respectively have led to a loss of -6.0% in pork meat production, triggering a record import demand of pork from Europe, Canada and USA. 2016 Chinese imports have more than doubled year over year, and reached 2.3 million tons by year end, to cover the 3.0% gap in its internal supply-demand balance sheet. During Q1 2017, EU pork exports to China slowed down (-14%) due to rising Chinese production and increased competition from USA.

In USA, 2016 pork production rose +2.5%, leading to prices lower by -7.8% versus last year. In past 6 months, prices have traded +3.2% above year ago levels, despite a significant rise in pork meat output (+3.4% YTD): it is reflecting the buoyant demand from China imports.

During 2016, EU28 pork exports rose by +23.0% and reached 4.1 million tons. China imports from EU28 surged +63.0% to 1.9 million metric tons (cwe), and accounted to 54.0% of European pork trade. Japan (+10.0%) and The Philippines (+12.0%) also contributed to the robust performance. EU28 trade with neighbouring countries (Russia, Belarus, Ukraine) now amounts to just 1.0% of total volumes, in sharp contrast to 2 years ago before the ban. Q1 2017 EU exports decreased by -2.8%, led by a sharp drop from China demand (-14% YTD) and despite an increase from Japan and Philippines.

During the first 4 months of 2016, EU28 pork carcass prices were significantly lower than year ago levels due to surplus production. However, the trend reversed sharply during May and June, boosted by the record demand from Chinese imports, and continued until year end. During H1 2017, the prices evolution reflected the heterogeneous supply and demand conditions in each production basin. Compared to year ago levels, pork quotations increased sharply in all key producing countries: France (+20.6%), Netherlands (+25.3%), Germany (+21.7%), Belgium (+26.8%), Denmark (+18.1%), Spain (+24.6%), due to a drop in domestic production combined with lower Chinese demand.

In line with the pork carcass prices, all pieces have risen strongly, to surpass their year ago levels in all countries. YTD 2017 public market value of hams increased in the main countries: France (+12.0%), Germany (+10.6%), Belgium (+15.2%), Spain (22.7%). The ham to pig price ratios have rebounded from their lowest historical levels during 2015. Shoulders prices rose from +31.6% in Spain, to +11.9% in Belgium, +14.2% in Germany, +31.6% in France. After dropping all last year, belly prices rebounded sharply in EU: Germany (+41.9%), Belgium (+26.1%), France (+10.7%), Spain (+45.1%). South Korea imports of bellies contributed mostly to the trend. Fat, jowls, trimmings all traded above their year ago levels as well.

Following a year of attractive feed prices and low carcass quotations, European chicken carcass prices have rebounded (from +4.6% in Spain, to +1.1% in Poland). French turkey shows a price trend with gradual decrease since January (-2.2%) on higher production.

The pork and chicken meat market trends stated above affected the Company's 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. From January to June 2017, the average pork meat price purchased by the Company increased +22.4% 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 2017 rose by +31.3% versus the same period last year.

## Results of Operations

### Comparison of the six month period ended June 30, 2017 and the six month period ended June 30, 2016

#### Operating Revenues

The following table sets forth a detailed breakdown of our operating revenues for the six month period ended June 30, 2017 and June 30, 2016.

| Operating revenues<br>(in thousands of €)                         | Six month ended June 30, |                                 |                       |                                 |
|---|--------------------------|---------------------------------|-----------------------|---------------------------------|
|   | 2017                     |                                 | 2016                  |                                 |
|   | Actual<br>(unaudited)    | % of total<br>oper.<br>Revenues | Actual<br>(unaudited) | % of total<br>oper.<br>revenues |
| Net sales and services  | 945,317                  | 95.4%                           | 916,533               | 98.4%                           |
| <i>% increase in Net sales and services</i>                       | 3.1%                     |                                 |                       |                                 |
| Increase in inventories of finished products and work-in-progress | 38,569                   | 3.9%                            | 13,103                | 1.4%                            |
| Capitalized expenses on Company's work on assets                  | 3,451                    | 0.3%                            | 16                    | 0.0%                            |
| Other operating revenue   | 3,490                    | 0.4%                            | 1,996                 | 0.2%                            |
| <b>Total operating revenues</b>                                   | <b>990,827</b>           | <b>100.0%</b>                   | <b>931,648</b>        | <b>100.0%</b>                   |
| <i>% increase in total operating revenues</i>                     | 6.4%                     |                                 |                       |                                 |

Operating revenues increased by 6.4% to €990.8 million for the six month period ended June 30, 2017 compared to €931.6 million for the six month period ended June 30, 2016. This result reflects an increase in net sales and services of 3.1% to €945.3 million for the six month period ended June 30, 2017 compared to €916.5 million for the six month period ended June 30, 2016.

#### Operating Expenses

The following table sets forth a detailed breakdown of operating expenses for the six month period ended June 30, 2017 and June 30, 2016.

| Operating expenses<br>(In thousands of €)       | Six month ended June 30, |                                 |                       |                                 |
|---|--------------------------|---------------------------------|-----------------------|---------------------------------|
|   | 2017                     |                                 | 2016                  |                                 |
|   | Actual<br>(unaudited)    | % of total<br>oper.<br>revenues | Actual<br>(unaudited) | % of total<br>oper.<br>revenues |
| Consumption of goods and other external charges | (574,000)                | (57.9%)                         | (504,287)             | (54.1%)                         |
| Employee benefits expense                       | (159,396)                | (16.1%)                         | (162,956)             | (17.5%)                         |
| Depreciation and amortization                   | (27,542)                 | (2.8%)                          | (23,977)              | (2.6%)                          |
| Changes in trade provisions                     | (1,782)                  | (0.2%)                          | (1,728)               | (0.2%)                          |
| Other operating expenses                        | (187,067)                | (18.9%)                         | (195,787)             | (21.0%)                         |
| <b>Total operating expenses</b>                 | <b>(949,787)</b>         | <b>(95.9%)</b>                  | <b>(888,735)</b>      | <b>(95.4%)</b>                  |
| <i>% increase in total operating expenses</i>   | 6.9%                     |                                 |                       |                                 |

Total operating expenses increased by 6.9% to €949.8 million for the six month period ended June 30, 2017 from €888.7 million for the six month period ended June 30, 2016. The increase in total operating expenses was primarily attributable to an increase in consumption of goods partially offset by other operating expenses. Operating expenses constituted 95.9% and 95.4% of total operating revenues for the six month period ended June 30, 2017 and 2016, respectively.

#### Consumption of Goods and Other External Charges

Consumption of goods and other external charges increased by 13.8% to €574.0 million for the six month period ended June 30, 2017 from €504.3 million for the six month period ended June 30, 2016. Consumption of goods and other external charges constituted 57.9% and 54.1% of total operating revenues for the six month period ended June 30, 2017 and 2016, respectively. Considered together with the increase in inventories of finished products and work-in-progress presented above, consumption of goods and other external charges increased by 9.0% the six month period ended June 30, 2017 compared to the same period of 2016.

### ***Employee Benefits Expenses***

Employee benefits expenses decreased by 2.2% to €159.4 million for the six month period ended June 30, 2017 from €163.0 million for the six month period ended June 30, 2016. Employee benefits expenses constituted 16.1% and 17.5% of total operating revenues for the six month period ended June 30, 2017 and 2016, respectively.

### ***Depreciation and Amortization***

Depreciation and amortization increased by 14.9% to €27.5 million for the six month period ended June 30, 2017 from €24.0 million for the six month period ended June 30, 2016. Depreciation and amortization represented 2.8% and 2.6% of total operating revenues for the six month period ended June 30, 2017 and 2016, respectively.

### ***Changes in Trade Provisions***

Changes in trade provisions increased by 3.1% to €1.8 million for the six month period ended June 30, 2017 from €1.7 million the six month period ended June 30, 2016.

### ***Other Operating Expenses***

Other operating expenses decreased by 4.5% to €187.1 million for the six month period ended June 30, 2017 compared to €195.8 million for the six month period ended June 30, 2016. Other operating expenses constituted 18.9% and 21.0% of total operating revenue for the six month period ended June 30, 2017 and 2016, respectively.

### **Results of Companies Accounted for Using the Equity Method**

For the six month period ended June 30, 2017 and 2016, results of companies accounted for using the equity method amounted to a €0.3 million gain and a €1.0 million gain, respectively.

### **Finance Revenue and Finance Costs**

Net finance cost increased to €14.8 million for the six month period ended June 30, 2017, compared to €11.7 million in the same period 2016. The relative increase pertains to the mentioned Notes redemption operations associated transaction costs and it is obviously non-recurrent, while debt costs are expected to more than halve what they used to be prior to the refinancing in 2015. Overall financing costs are also poised to remain below following the bank lines rationalization exercise and benefitting from improved prices.

### **Income Tax Expenses**

An income tax charge of €9.2 million was recognized for the six month period ended June 30, 2017 compared to a €11.9 million loss in the same period of 2016. The effective tax rate was hardly comparable due to the different taxable income across different jurisdictions.

| <i>(In thousands of €)</i>                     | <b>Six month ended June 30,</b> |                               |
|--|---------------------------------|-------------------------------|
|  | <b>2017</b>                     | <b>2016</b>                   |
|  | <b>Actual<br/>(unaudited)</b>   | <b>Actual<br/>(unaudited)</b> |
| Profit before tax                              | 26,481                          | 32,176                        |
| Income tax                                     | (9,214)                         | (11,911)                      |
| Profit for the year from continuing operations | 17,267                          | 20,265                        |

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

Profit for the period amounted to €17.3 million gain for the six month period ended June 30, 2017, compared to €20.3 million gain in the same period of 2016.

### **Cash Flow**

#### ***Cash Flows from Operating Activities***

For the six month period ended June 30, 2017, the Company generated net cash flows from operating activities amounted to €10.7 million cash in compared to €2.2 million cash out for the six month period ended June 30, 2016. This increase was primarily attributable to lower working capital deterioration, lower income tax payments and lower pension and provision payments.

### *Cash Used in Investing Activities*

For the six month period ended June 30, 2017, net cash used in investing activities amounted to €94.4 million cash out, compared to €47.4 million cash out for the same period in 2016. Capital expenditures amounted to €94.6 million for the six month period ended June 30, 2017 and €47.4 million for the six month period ended June 30, 2016. The increase in cash out is mainly related to increase in capital expenditures mainly associated to “La Bureba” new factory.

### *Cash Flow from Financing Activities*

For the six month period ended June 30, 2017, net cash flow used in financing activities was €2.7 million cash out, compared to €0.1 million cash in for the same period of 2016. The cash flow from financing operations for the six month period ended June 30, 2017 includes the partly redemption of the Notes issued in 2015 amounting to €100.0 million at a 103% redemption price offset by the €103.0 million cash in from a parent company loan provided by our shareholders.

## **Comparison of the three month period ended June 30, 2017 and the three month period ended June 30, 2016**

### **Operating Revenues**

The following table sets forth a detailed breakdown of our operating revenues for the three month period ended June 30, 2017 and June 30, 2016.

| Operating revenues<br>(in thousands of €)                         | Three month ended June 30, |                                 |                       |                                 |
|---|----------------------------|---------------------------------|-----------------------|---------------------------------|
|   | 2017                       |                                 | 2016                  |                                 |
|   | Actual<br>(unaudited)      | % of total<br>oper.<br>Revenues | Actual<br>(unaudited) | % of total<br>oper.<br>revenues |
| Net sales and services  | 488,717                    | 96.0%                           | 472,278               | 99.6%                           |
| <i>% increase in Net sales and services</i>                       | 3.5%                       |                                 | (0.3%)                |                                 |
| Increase in inventories of finished products and work in progress | 16,306                     | 3.2%                            | 745                   | 0.2%                            |
| Capitalized expenses on Company's work on assets                  | 1,694                      | 0.3%                            | 12                    | 0.0%                            |
| Other operating revenue   | 2,443                      | 0.5%                            | 1,044                 | 0.2%                            |
| <b>Total operating revenues</b>                                   | <b>509,160</b>             | <b>100.0%</b>                   | <b>474,079</b>        | <b>100.0%</b>                   |
| <i>% increase in total operating revenues</i>                     | 7.4%                       |                                 |                       |                                 |

Operating revenues increased by 7.4% to €509.2 million for the three month period ended June 30, 2017 compared to €474.1 million for the three month period ended June 30, 2016. This result reflects an increase in net sales and services of 3.5% to €488.7 million for the three month period ended June 30, 2017 compared to €472.3 million for three month period ended June 30, 2016.

### **Operating Expenses**

The following table sets forth a detailed breakdown of operating expenses for the three month period ended June 30, 2017 and June 30, 2016.

| Operating expenses<br>(In thousands of €)       | Three month ended June 30, |                                 |                       |                                 |
|---|----------------------------|---------------------------------|-----------------------|---------------------------------|
|   | 2017                       |                                 | 2016                  |                                 |
|   | Actual<br>(unaudited)      | % of total<br>oper.<br>revenues | Actual<br>(unaudited) | % of total<br>oper.<br>revenues |
| Consumption of goods and other external charges | (299,032)                  | (58.7%)                         | (254,743)             | (53.7%)                         |
| Employee benefits expense                       | (80,547)                   | (15.8%)                         | (84,367)              | (17.8%)                         |
| Depreciation and amortization                   | (14,005)                   | (2.8%)                          | (12,025)              | (2.5%)                          |
| Changes in trade provisions                     | (1,168)                    | (0.2%)                          | (1,317)               | (0.3%)                          |
| Other operating expenses                        | (91,136)                   | (17.9%)                         | (100,248)             | (21.1%)                         |
| <b>Total operating expenses</b>                 | <b>(485,888)</b>           | <b>(95.4%)</b>                  | <b>(452,700)</b>      | <b>(95.5%)</b>                  |
| <i>% increase in total operating expenses</i>   | 7.3%                       |                                 |                       |                                 |

Total operating expenses increased by 7.3% to €485.9 million for the three month period ended June 30, 2017 from €452.7 million for the three month period ended June 30, 2016. The increase in total operating expenses was primarily attributable to an increase in consumption of goods partially offset by other operating expenses. Operating expenses constituted 95.4% and 95.5% of total operating revenues for the three month period ended June 30, 2017 and 2016, respectively.

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

Consumption of goods and other external charges increased by 17.4% to €299.0 million for the three month period ended June 30, 2017 from €254.7 million for the three month period ended June 30, 2016. Consumption of goods and other external charges constituted 58.7% and 53.7% of total operating revenues for the three month period ended June 30, 2017 and 2016, respectively. Considered together with the increase in inventories of finished products and work-in-progress presented above, consumption of goods and other external charges increased by 11.3% the three month period ended June 30, 2017 compared to the same period of 2016.

#### ***Employee Benefits Expenses***

Employee benefits expenses decreased by 4.5% to €80.5 million for the three month period ended June 30, 2017 from €84.4 million for the three month period ended June 30, 2016. Employee benefits expenses constituted 15.8% and 17.8% of total operating revenues for the three month period ended June 30, 2017 and 2016, respectively.

#### ***Depreciation and Amortization***

Depreciation and amortization increased by 16.5% to €14.0 million for the three month period ended June 30, 2017 from €12.0 million for the three month period ended June 30, 2016. Depreciation and amortization represented 2.8% and 2.5% of total operating revenues for the three month period ended June 30, 2017 and 2016, respectively.

#### ***Changes in Trade Provisions***

Changes in trade provisions decreased by 11.3% to €1.2 million for the three month period ended June 30, 2017 from €1.3 million for the three month period ended June 30, 2016

#### ***Other Operating Expenses***

Other operating expenses decreased by 9.1% to €91.1 million for the three month period ended June 30, 2017 compared to €100.2 million for the three month period ended June 30, 2016. Other operating expenses constituted 17.9% and 21.1% of total operating revenue for the three month period ended June 30, 2017 and 2016, respectively.

#### **Results of Companies Accounted for Using the Equity Method**

For the three month period ended June 30, 2017 and 2016, results of companies accounted for using the equity method amounted to a €0.3 million gain and a €0.5 million gain, respectively. Results of companies accounted for using the equity method are comprised of our share of profit / (loss) of investments accounted for using the equity method.

#### **Finance Revenue and Finance Costs**

Net finance cost decreased to €5.4 million for the three month period ended June 30, 2017, compared to €5.9 million in the same period 2016. This decrease is partially due to the lower coupon savings after the refinancing process, as well as lower interest rates and spreads under the bank lines, as well as a reduction of bank fees.

#### **Income Tax Expenses**

An income tax charge of €5.9 million was recognized for the three month period ended June 30, 2017 compared to a €7.9 million loss in the same period of 2016. The effective tax rate was hardly comparable due to the different taxable income across different jurisdictions.

| <i>(In thousands of €)</i>                     | <b>Three month ended June 30,</b> |                               |
|--|-----------------------------------|-------------------------------|
|  | <b>2017</b>                       | <b>2016</b>                   |
|  | <b>Actual<br/>(unaudited)</b>     | <b>Actual<br/>(unaudited)</b> |
| Profit before tax                              | 18,167                            | 16,050                        |
| Income tax                                     | (5,942)                           | (7,916)                       |
| Profit for the year from continuing operations | 12,225                            | 8,134                         |

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

Profit for the period amounted to €12,2 million gain for the three month period ended June 30, 2017, compared to €8.1 million gain in the same period of 2016.

### **Cash Flow**

#### ***Cash Flows from Operating Activities***

For the three month period ended June 30, 2017, the Company generated net cash flows from operating activities amounting to €13.6 million cash in compared to €29.1 million cash in for the three month period ended June 30, 2016. This increase was primarily higher gross operating cash flow and working capital deterioration.

#### ***Cash Used in Investing Activities***

For the three month period ended June 30, 2017, net cash used in investing activities amounted to €54.2 million cash out, compared to €21.5 million cash out for the same period in 2016. Capital expenditures amounted to €54.1 million for the three month period ended June 30, 2017 and €21.5 million for the year ended June 30, 2016. The increase in cash out is mainly related to an increase in capital expenditures mainly due to the building of the “La Bureba” new factory in the current period.

#### ***Cash Flow from Financing Activities***

For the three month period ended June 30, 2017, net cash flow used in financing activities was €2.0 million cash out, compared to €0.7 million cash out for the same period of 2016.

## **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.

## **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.

## **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.

### ***Interest Bearing Loans and Borrowings***

Interest bearing loans and borrowings includes amounts outstanding under the Company's bank loans, credit lines, payables for discounted bills and interest payable.

## **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 consists of current tax payable on the taxable profit for the year and deferred tax. The corporate tax rate in Spain was 28% in 2015 and is 25% in 2016 and onwards.

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

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

## **Cash Flow**

### ***Investment in property, plant and equipment***

This item includes the amount spent to acquire or upgrade assets such as buildings, machinery, equipment, etc. and the fixed assets suppliers change.