



## **CAMPOFRIO FOOD GROUP**

UNAUDITED INTERIM SELECTED  
CONSOLIDATED FINANCIAL INFORMATION  
THREE MONTH PERIOD ENDED 31<sup>ST</sup> MARCH 2011

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## INTRODUCTION

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

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

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

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

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

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

## CONSOLIDATED INCOME STATEMENT

Campofrio Food Group  
(In Thousands of Euros)

	Three month ended March 31,			
	2011		2010	
	Actual (unaudited)	% of total oper. revenues	Actual (unaudited) (restated)	% of total oper. revenues
<b>Operating revenues</b>				
Net sales and services	423.778	94%	424.005	95%
Increase in inventories of finished goods and work in progress	21.459	5%	19.691	4%
Capitalized expenses on Company's work on assets	53	0%	42	0%
Other operating revenue	3.504	1%	2.410	1%
<b>Total operating revenues</b>	<b>448.794</b>	<b>100%</b>	<b>446.148</b>	<b>100%</b>
<b>Operating expenses</b>				
Consumption of goods and other external charges	-245.919	-55%	-237.398	-53%
Employee benefits expense	-89.391	-20%	-87.891	-20%
Depreciation and amortization	-14.023	-3%	-13.676	-3%
Other operating expenses	-82.898	-18%	-86.681	-19%
Changes in trade provisions	-515	0%	-257	0%
<b>Total operating expenses</b>	<b>-432.746</b>	<b>-96%</b>	<b>-425.903</b>	<b>-95%</b>
<b>Impairment of assets</b>				
<b>Operating profit</b>	<b>16.048</b>	<b>4%</b>	<b>20.245</b>	<b>5%</b>
Financial expenses, net	-11.299	-3%	-14.686	-3%
Other results	-990	0%		
<b>Profit before tax</b>	<b>3.759</b>	<b>1%</b>	<b>5.559</b>	<b>1%</b>
Income taxes	-1.089	0%	-1.442	0%
<b>Profit for the period from continuing operations</b>	<b>2.670</b>	<b>1%</b>	<b>4.117</b>	<b>1%</b>
Profit & (Loss) after tax for the period from discontinued operations	81	0%	-184	0%
<b>Profit for the period</b>	<b>2.751</b>	<b>1%</b>	<b>3.933</b>	<b>1%</b>
Non-controlling interests			78	0%
Attributable to equity holders of the parent company	2.751	1%	3.855	1%

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

## CONSOLIDATED BALANCE SHEET

Campofrio Food Group  
(In Thousands of Euros)

	Three month ended March 31,	
	2011	2010
	Actual (unaudited)	Actual (unaudited)
<b><u>ASSETS</u></b>		
Property, plant and equipment	543.091	553.615
Goodwill	418.557	419.565
Other intangible assets	190.011	183.366
Non-current financial assets	6.043	6.150
Investments accounted for under the equity method	29.479	941
Deferred tax assets	69.235	68.645
Other non-current assets	146	135
<b><u>Total non-current assets</u></b>	<b><u>1.256.562</u></b>	<b><u>1.232.417</u></b>
Inventories	312.241	292.953
Trade and other receivables	178.727	192.750
Other current financial assets	346	1.176
Other current assets	6.674	4.631
Cash and cash equivalents	194.426	161.332
<b><u>Total current assets</u></b>	<b><u>692.414</u></b>	<b><u>652.842</u></b>
<b><u>Assets classified as held for sale and discontinued operations</u></b>	<b><u>2.997</u></b>	<b><u>1.555</u></b>
<b><u>TOTAL ASSETS</u></b>	<b><u>1.951.973</u></b>	<b><u>1.886.814</u></b>
<b><u>EQUITY AND LIABILITES</u></b>		
Equity attributable to equity holders of the parent	646.931	618.594
Equity attributable to minority interests		6.425
<b><u>TOTAL EQUITY</u></b>	<b><u>646.931</u></b>	<b><u>625.019</u></b>
Debentures	484.822	483.470
Interest-bearing loans and borrowings	1.725	0
Other financial liabilities	21.883	72.956
Deferred tax liabilities	133.651	127.335
Other non-current liabilities	19.282	20.531
Provisions	54.110	48.485
<b><u>Total non-current liabilities</u></b>	<b><u>715.473</u></b>	<b><u>752.777</u></b>
Debentures	17.188	17.073
Interest-bearing loans and borrowings	3.005	5.358
Trade and other payables	482.968	417.831
Other financial liabilities	558	496
Creditor for income tax	6.643	1.240
Provisions	3.331	9.020
Other current liabilities	75.837	58.000
<b><u>Total current liabilities</u></b>	<b><u>589.530</u></b>	<b><u>509.018</u></b>
<b><u>Liabilities associated to operations on sale or discontinued</u></b>	<b><u>39</u></b>	
<b><u>TOTAL EQUITY AND LIABILITES</u></b>	<b><u>1.951.973</u></b>	<b><u>1.886.814</u></b>

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

## CONSOLIDATED CASH FLOW STATEMENT

Campofrio Food Group  
(In Thousands of Euros)

	<b>Three month ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
	<b>Actual (unaudited)</b>	<b>Actual (unaudited)</b>
<b>Operating flows before changes in working capital</b>	<b>32.219</b>	<b>36.343</b>
Changes in working capital	1.389	-10.242
<b>Cash flows from operating activities</b>	<b>33.608</b>	<b>26.101</b>
Net interest expenses	-368	-4.610
Provision and pensions payment	-2.059	-4.887
Income tax paid	-191	-1.881
Other collection	4.507	0
<b><u>Net cash flows from operating activities</u></b>	<b><u>35.497</u></b>	<b><u>14.722</u></b>
Investments in property, plant and equipment	-6.167	-5.360
Purchase of minority interest	-5.755	-3.128
Investment in Group companies		
Other investment related cash flows, net	2.721	
<b><u>Net cash flows from investing activities</u></b>	<b><u>-9.201</u></b>	<b><u>-8.488</u></b>
Changes in financial assets and liabilities	661	-1.692
Payments related to the refinancing	-1.500	-3.000
Purchase of treasury shares and Dividend payments	-50	-369
<b><u>Net cash flows from financing activities</u></b>	<b><u>-889</u></b>	<b><u>-5.061</u></b>
<b><u>Net increase/(decrease) in cash and cash equivalents</u></b>	<b><u>25.407</u></b>	<b><u>1.173</u></b>
Cash and cash equivalents at beginning of period	169.019	160.158
<b><u>Cash and cash equivalents at end of period</u></b>	<b><u>194.426</u></b>	<b><u>161.331</u></b>

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 normalised	Three month ended March 31,	
	2011	2010
	Actual (unaudited)	Actual (unaudited) (restated)
<b>Profit for the period Attributable to equity holders of the parent company</b>	2.751	3.855
Profit for the period Attributable to Non-controlling interests		78
Profit & (Loss) after tax for the period from discontinued operations	-81	184
Income taxes	1.089	1.442
Other results	990	
Financial expenses, net	11.299	14.686
Impairment of assets		
Depreciation and amortization	14.023	13.676
<b><u>EBITDA</u></b>	<b><u>30.071</u></b>	<b><u>33.921</u></b>
<u>Total Adjustments</u>	<u>-63</u>	
<b><u>EBITDA (normalised)</u></b>	<b><u>30.008</u></b>	<b><u>33.921</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***

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

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

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

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

Additionally, on March 4, 2010, the parent signed an agreement with the Romanian Caroli meat processing group, to integrate operations between this group and the Romanian subsidiary of Campofrio Food Group, S.A. (Tabco Campofrío S.A.), and develop its business in that country and surrounding areas. The agreement was formalized between the parties on July 20, 2010.

### ***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, 2010 and Campofrío Food Group, S.A. and subsidiaries Consolidated Financial Statements and Consolidated Management Report for the year ended December 31, 2009.

### ***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, 2010.

### ***Comparison of information***

During 2010, the Group's parent classified all assets and liabilities related to its business in Romania as "Non-current assets and liabilities held for sale," due to the agreement to integrate its operations with those of a third party regarding the activity of Tabco Campofrio, S.A. and to its decision to sell the Group's remaining Romanian assets. In compliance with IFRS 5, the results from the activity of the Group in Romania have been reclassified in the separate income statement "Net loss for the period from discontinued operations."

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

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

### ***Discontinued Operations***

On March 4, 2010, the parent signed an agreement with the Romanian Caroli meat processing group to integrate operations with the Romanian subsidiary of Campofrio Food Group, S.A. (Tabco Campofrio S.A.), and develop its business in that country and surrounding areas. The parties formalized the agreement on July 20, 2010 (see Note 10 in Campofrio Food Group, S.A. and Subsidiaries Consolidated Financial Statements for the year ended December 31, 2010). By virtue of this agreement, the parent is no longer fully consolidated with Tabco Campofrio S.A., but is accounted for using the equity method and considered a jointly controlled entity. In addition, based on this agreement, the jointly controlled entities Caroli Foods Group BV, Caroli Foods Group SRL, Caroli Prod 2000 SRL, and Caroli Brands SRL, are likewise accounted for using the equity method.

The remaining activities of the Group in Romania carried out by the subsidiaries Degaro S.R.L., S.C. Camporom Productie, S.R.L. and total Meat Marketing, S.L., which are primarily engaged in the breeding and fattening of pigs, have been classified as discontinued operations, as the Group plans to terminate their activities (see Note 15 in Campofrio Food Group, S.A. and Subsidiaries Consolidated Financial Statements for the year ended December 31, 2010).

### ***Operating Segment Reporting***

Results are presented in accordance with following strategic reporting segments:

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

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 March 31, 2011 and March 31, 2010.

<b>NET FINANCIAL DEBT</b>	<b>Three month ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
<u>Non-current financial debt</u>		
Debentures	484.822	483.470
Interest-bearing loans and borrowings	1.725	0
Other financial liabilities	21.883	72.956
<u>Current financial debt</u>		
Debentures	17.188	17.073
Interest-bearing loans and borrowings	3.005	5.358
Other financial liabilities	558	496
<u>Current financial assets</u>		
Other current financial assets	-346	-1.176
Cash and cash equivalents	-194.426	-161.332
<b><u>Total Net Financial Debt</u></b>	<b><u>334.409</u></b>	<b><u>416.845</u></b>

Our debt structure is primarily comprised of the Notes issued in 2009 which account for €484.8 million and, as a result, our total debt is practically long-term. Besides the Notes, the only remaining financial liabilities are basically the €8.4 million in derivatives which we entered initially to hedge our former USPP Notes. In the year 2009 after refinancing our debt, the USPP Notes was repaid and those derivatives were classified as held for trading. (See “Description of certain Financing Arrangements” in the Notes Offering Memorandum (OM)). During 2010 we have proceeded to unwind the rest of the derivatives worth €3 million that were outstanding at the end of 2009.

Net financial debt of €334.4 million as of March 31, 2011 was substantially lower than at the end of March 2010, as a consequence of the cash flow generation stemming from EBITDA generated over the period, combined with Working Capital improvements, enhanced cash management and rationalization of Capital Expenditures.

The Company’s liquidity position remained very solid and amounted to €447 million at the end of March 2011, consisting of €194 million in cash and cash equivalents and €252 million in undrawn bank lines versus just €235 million bank lines available at the end of March 2010. The Company keeps focused on enhancing its cash management and working capital operations and it has put in place a cash pooling system at corporate level, which is operative since November 2010.

The following tables set forth the situation of the Company’s two main financing sources as of March 31, 2011 and March 31, 2010.

<b><u>Debentures</u></b>	<b>Three month ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
Non-current debentures	484.822	483.470
Current debentures	17.188	17.073
Principal		
Accrued interest	17.188	17.073
<b><u>Total debentures</u></b>	<b><u>502.010</u></b>	<b><u>500.543</u></b>

<b><u>Interest-bearing loans and borrowings</u></b>	<b>Three month ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
Bank loans and credit facilities	1.811	2.317
Credit lines	1.811	2.317
Multicurrency credit line		
Discounted bills payable	2.196	2.264
Interest payable	723	777
<b><u>Total</u></b>	<b><u>4.730</u></b>	<b><u>5.358</u></b>

The following table sets forth the situation of the Company's current and non-current other financial liabilities as of March 31, 2011 and March 31, 2010.

<b><u>Other financial liabilities</u></b>	<b><u>Period ended Mar 31, 2011</u></b>			<b><u>Period ended Mar 31, 2010</u></b>		
	<b><u>Non-current</u></b>	<b><u>Current</u></b>	<b><u>Total</u></b>	<b><u>Non-current</u></b>	<b><u>Current</u></b>	<b><u>Total</u></b>
Financial leases	1.389	556	1.945	1.702	496	2.198
Other financial liabilities	2.509	2	2.511	2.424	-	2.424
Derivatives	17.985		17.985	68.830	-	68.830
<b><u>Total</u></b>	<b><u>21.883</u></b>	<b><u>558</u></b>	<b><u>22.441</u></b>	<b><u>72.956</u></b>	<b><u>496</u></b>	<b><u>73.452</u></b>

The following table sets forth the situation of the Company's financial derivatives as of March 31, 2011 and March 31, 2010.

<b><u>Fair value situation</u></b>	<b><u>FV at Mar, 2011</u></b>	<b><u>FV at Mar, 2010</u></b>
Cash flow hedge	500	1
Derivatives held for trading		
Swaps	14,516	55,139
Reverse swaps	-3,969	13,692
<b><u>Total</u></b>	<b><u>17,985</u></b>	<b><u>68,830</u></b>

During 2010 the Company closely monitored its derivatives and taking advantage of its high liquidity proceeded to cancel them before maturity except for a swap that has been kept with the corresponding reverse swap to minimize the mark-to-market volatility amounting altogether to €18.5 million. Although the resulting exposure has been substantially reduced with respect to the prior year, the Company continues analyzing the possibility to further reduce this exposure by wholly unwinding the remaining derivative outstanding.

## 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 have expanded to achieve a direct presence in eight European countries, Spain, France, Portugal, the Netherlands, Belgium, Italy, Romania and Germany, 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 and *Marcassou* in Belgium. For the three month period ended March 31, 2011, the Company had operating revenues and EBITDA of €448.8 million and €30.1 million, respectively. It generates substantially all of its revenues in Europe. The Company is headquartered in Madrid, Spain and its shares have been listed on the Madrid stock exchange since 1988 and on the Barcelona stock exchange since 1990, and are now traded under the symbol "CFG". Since January 3, 2011, CFG is included in IBEX Medium CAP<sup>®</sup>. As of March 31, 2011, the Company had a market capitalization of €817.8million.

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

### Factors Affecting Our Results of Operations

#### Raw Material Prices

Pig carcass average price	Three month ended March 31,			% Increase (decrease) over prior period	
	2009	2010	2011	2010 vs. 2009	2011 vs. 2010
	(price in €/kg)				
Spain Mercolleida	1.33	1.37	1.53	3.3%	11.7%
France MPB	1.27	1.21	1.38	-4.3%	13.8%
Netherlands Monfoort	1.30	1.27	1.37	-2.3%	7.5%
Belgium Danis	1.23	1.19	1.25	-3.6%	5.3%
Germany AIM	1.37	1.33	1.39	-2.9%	4.6%
Denmark DC	1.13	1.14	1.27	0.9%	12.0%

During the first quarter of 2011, EU pork meat production increased by 1.1%. Slaughter activity rose in Germany (+2.1%), Denmark (+6.8%), the Netherlands (+1.5%) and Poland (+13%). It was offset partially by lower production in Spain (-1.2%), France (-2.5%) and Eastern Europe. EU27 pork exports to third countries increased by +29.1% to a record new level, due to a combination of strong demand from Russia and Asia (Japan, South Korea and China), a favourable Euro-USD exchange rate and more importantly record pork prices in the United States. Year to date, they have increased +20% above the record levels of 2010. EU27 is the main export competitor to the USA in international markets (Russia, China, Japan, and Korea). EU27 was very well positioned from a price perspective and benefiting from those high prices. As a result, demand for EU pork meat increased, thus further rising local prices. Internal EU27 pork consumption decreased by -0.3% during the same time interval.

In early March, the European Commission released the Pig Population Survey which showed a -3% decrease in the breeding herd, confirming that EU27 pork meat production will decrease around -1%

during 2011. France has displayed a significant production drop of -2.5% so far this year, more than anticipated. At the same time, several initiatives have pushed the use of VPF (“Viande de Porc France”, French origin pork), increasing local demand and pushing prices significantly upward, on hams in particular. The pig carcass price evolution in the main producer countries reflected heterogeneous supply and demand conditions. The quotations increased sharply in France, Spain and Denmark (from +11.7% to +13.8%). They rose to a lesser extent in Germany (+4.6%), Belgium (+5.3%), and The Netherlands (+7.5%), a consequence of increased local production and more importantly the dioxin crisis in Germany, which pressured prices downwards during the month of January.

On Monday 24 January, an “open-ended” private storage initiative was announced by the European Commission (Pig Management Committee) to support the pig markets in Europe following the dioxin crisis in Germany. By open-ended, it meant that the quantities were left open to be filled by the various EU27 countries. The program has been very popular, reaching a total of 144,468 metric tons when the approvals were finally closed during the first week of March. This initiative created additional demand and pressured upward pig carcass prices from February to April, as the physical storage happened during these months.

Grain prices remained extremely volatile and at historically high levels, delaying the outlook of increased profitability for pork and poultry farmers, and delaying recovery in production. 2011 global grain production will increase due to larger plantings, but rising demand and weather uncertainty continue to play a significant role in price evolution in the short term.

The value of hams increased from +8% to +10%, a reflection of the increasing purchasing power of consumers and economic recovery in many geographic areas of Europe. Shoulders rose from +3% to +5%, while the other cuts and pork products were mostly unchanged against the previous year.

European chicken carcass prices were significantly higher during the first quarter 2011, directly impacted by the record grain prices. Poultry producers reacted to lower margins by decreasing production, thus pushing prices upward. Year to date, chicken carcass quotations rose from +11% to +23% in the main production areas of the EU27. Additionally, exports to third countries jumped by more than +40% boosted by higher demand from China and Middle Eastern countries (Saudi Arabia, UAE).

Brazil poultry output rose 3.3% during the same period. The data reflects optimism due to robust exports and firm domestic demand, and generally positive profit margins. Since January, the live quotation has surged by +28%, in parallel with higher production costs. The Real - Euro exchange rate remains at 9-year high in accordance with the strong GDP performance of the Brazilian economy relative to the EU27.

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 the first quarter of 2011, the average meat price purchased by the Company increased 7.3% versus prior year levels. Second, and more importantly, the cost of goods sold of long-cycle products (cured products) reflects evolutions in raw material prices with a lag time which can vary between 6 and 24 months. Taking into consideration these factors, the meat costs from January to March 2011 rose by 3.7% versus the same period last year.

### ***Results of Operations***

#### **Comparison of the Three Month Period Ended March 31, 2011 and the Three Month Period Ended March 31, 2010**

##### **Operating Revenues**

The following table sets forth a detailed breakdown of our operating revenues for three month period ended March 31, 2011 and March 31, 2010

Operating revenues	Three month ended March 31,			
	2011		2010	
	Actual (unaudited)	% of total oper. revenues	Actual (unaudited) (restated)	% of total oper. revenues
Net sales and services	423.778	94%	424.005	95%
<i>% increase in Net Sales and Services</i>	<i>-0,1%</i>			
Increase in inventories of finished goods and work in progress	21.459	5%	19.691	4%
Capitalized expenses on Company's work on assets	53	0%	42	0%
Other operating revenue	3.504	1%	2.410	1%
<b><u>Total operating revenues</u></b>	<b><u>448.794</u></b>	<b><u>100%</u></b>	<b><u>446.148</u></b>	<b><u>100%</u></b>
<i>% increase in total operating revenues</i>	<i>0,6%</i>			

Operating revenues showed a 0.6% growth ending up at €448.8 million for the three month period ended March 31, 2011 comparing to €446.1 million for the same period in 2010. Net sales decreased 0.1% to €423.8 million for the three month period ended March 31, 2011 from €424.0 million for the three month period ended March 31, 2010.

### Operating Expenses

The following table sets forth a detailed breakdown of operating expenses for three month period ended March 31, 2011 and March 31, 2010

Operating expenses	Three month ended March 31,			
	2011		2010	
	Actual (unaudited)	% of total oper. revenues	Actual (unaudited) (restated)	% of total oper. revenues
Consumption of goods and other external charges	-245.919	-55%	-237.398	-53%
Employee benefits expense	-89.391	-20%	-87.891	-20%
Depreciation and amortization	-14.023	-3%	-13.676	-3%
Other operating expenses	-82.898	-18%	-86.681	-19%
Changes in trade provisions	-515	0%	-257	0%
<b><u>Total operating expenses</u></b>	<b><u>-432.746</u></b>	<b><u>-96,4%</u></b>	<b><u>-425.903</u></b>	<b><u>-95,5%</u></b>
<i>% increase in total operating expenses</i>	<i>1,6%</i>			

Operating expenses increased by 1.6% to €432.7 million for the three month period ended March 31, 2011 from €425.9 million for the same period in 2010. Operating expenses constituted 96.4% and 95.5% of total operating revenues for the three month period ended March 31, 2011 and March 31, 2010, respectively. The increase in operating expenses was primarily attributable to a 3.6% increase in consumption of goods.

### Consumption of Goods and Other External Charges

Consumption of goods and other external charges increased by 3.6% to €245.9 million for three month period ended March 31, 2011 from €237.4 million for the same period in 2010. Consumption of goods and other external charges constituted 55% and 53% in percentage of total operating revenues for the three month period ended March 31, 2011 and March 31, 2010, respectively. If considered together with the increase in inventories of finished goods and work in progress in Operating Revenues, net consumptions of goods and other external charges increased by 3.1%. This increase was derived from higher meat cost during the three month period ended March 31, 2011 versus the same period in 2010.

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

Employee benefits expenses increased by 1.7% to €89.4 million for three month period ended March 31, 2011 from €87.9 million for the same period in 2010. Employee benefits expenses constituted 20% in both periods under comparison.

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

Depreciation and amortization remained stable at €14.0 million for three month period ended March 31, 2011 compared to €13.7 million for the same period in 2010. Depreciation and amortization represented 3% of total operating revenues for both periods.

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

Other operating expenses decreased by 4.4% to €82.9 million for three month period ended March 31, 2011 from €86.7 million for the same period of prior year. This was an impact of higher savings from improved manufacturing efficiency in France and Spain.

### ***Finance and Tax Expenses***

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

Net finance cost decreased by €3.3 million in the first quarter from €14.7 million in 2010 to €11.3 million in 2011. In 2010, net finance cost was affected by the negative impact of €3.3 million, related to the mark-to-market fair value changes in the open derivatives under rather volatile financial market conditions. As mentioned previously, in order to curtail this fluctuation, the Company has proceeded to unwind all of the open derivatives keeping only one swap at March 31, 2011, with the corresponding reverse swap amounting to €18.4 million to minimize the mark-to-market volatility as referred above.

#### ***Income Tax***

Income tax expenses amounted to €1.1 million for the three month period ended March 31, 2011 from €1.4 million for the same period in 2010. For the three month period ended March 31, the effective tax rates were 29% in 2011 and 26% in 2010.

#### ***Result from Discontinued Operations***

A result from discontinued operations includes our Romanian operations, that amounted €0.1 million for the three month period ended March 31, 2011 and a loss of €0.2 million for the same period in 2010.

#### ***Profit for the Period***

For the three month period ended March 31, 2011, profit decreased by 30% to €2.8 million, compared to €3.9 million for the same period in 2010.

### ***Operating Segment Reporting***

Net sales and services	Three month ended March 31, 2011		Three month ended March 31, 2010	
	Actual (unaudited)	% of total	Actual (unaudited) (restated)	% of total
Southern Europe <sup>1</sup>	197.013	46%	192.197	45%
Northern Europe <sup>2</sup>	231.381	55%	235.931	56%
Eliminations <sup>3</sup>	-4.616	-1%	-4.123	-1%
<b><u>Total net sales and services</u></b>	<b><u>423.778</u></b>	<b><u>100%</u></b>	<b><u>424.005</u></b>	<b><u>100%</u></b>

EBITDA	Three month ended March 31,2011		Three month ended March 31,2010	
	Actual (unaudited)	% of total	Actual (unaudited) (restated)	% of total
Southern Europe <sup>1</sup>	18.491	61%	19.739	58%
Northern Europe <sup>2</sup>	16.208	54%	19.261	57%
Others <sup>4</sup>	-4.628	-15%	-5.079	-15%
<b><u>Total EBITDA</u></b>	<b><u>30.071</u></b>	<b><u>100%</u></b>	<b><u>33.921</u></b>	<b><u>100%</u></b>

**% EBITDA margin over Net Sales**

Southern Europe	9,4%	10,3%
Northern Europe	7,0%	8,2%
Others	n.a.	n.a.
<b><u>Total EBITDA</u></b>	<b><u>7,1%</u></b>	<b><u>8,0%</u></b>

EBITDA (normalised)	Three month ended March 31,2011		Three month ended March 31,2010	
	Actual (unaudited)	% of total	Actual (unaudited) (restated)	% of total
Southern Europe <sup>1</sup>	18.491	62%	19.739	58%
Northern Europe <sup>2</sup>	16.143	54%	19.261	57%
Others <sup>4</sup>	-4.626	-15%	-5.079	-15%
<b><u>Total EBITDA</u></b>	<b><u>30.008</u></b>	<b><u>100%</u></b>	<b><u>33.921</u></b>	<b><u>100%</u></b>

**% EBITDA normalised margin  
over Net Sales**

Southern Europe	9,4%	10,3%
Northern Europe	7,0%	8,2%
Others	n.a.	n.a.
<b><u>Total EBITDA</u></b>	<b><u>7,1%</u></b>	<b><u>8,0%</u></b>

<sup>1</sup> Southern Europe includes operating activities managed in Spain and Portugal, which includes our fresh meat operations.

<sup>2</sup> Northern Europe includes operating activities managed primarily in France, the Netherlands, Belgium and Germany.

<sup>3</sup> Intercompany sales, which are eliminated at consolidation level.

<sup>4</sup> Other includes mainly corporate activities.

***Southern Europe***

Net sales in Southern Europe increased by 2.5% to €197.0 million in the three month period ended March 31, 2011 from €192.2 million in the same period last year. In Spain, the average processed meat net sales per kg remains stable as well as the branded modern retail channel performance. Branded modern retail channel contribution to net sales increased 0.2% in the three month period ended March 31, 2011 compared to the same period last year.

EBITDA in Southern Europe decreased €1.2 million to €18.5 million in the three month period ended March 31, 2011 from €19.7 million in the same period last year. Margin over net sales for the three month period ended March 31, 2011 was 9.4% showing a decrease over previous period of 88 basis points. A new commodity context in Europe with higher raw material prices, especially on meat, has had a negative impact on the three months period ended March 31, 2011 EBITDA.

***Northern Europe***

Net Sales in Northern Europe decreased by €4.6 million, representing a 1.9% decrease, to €231.4 million in the three month period ended March 31, 2011 from €235.9 million in the three month period ended March 31, 2010. This decrease was mainly explained due to a decrease in volumes of 2.3%

driven by the removal of certain non profitable products from the product offering in France and the consequent focus on the branded part of the business.

EBITDA in Northern Europe decreased €3.1 million to €16.2 million in the three month period ended March 31, 2011 from €19.3 in the same period last year. Margin over net sales for the three month period ended March 31, 2011 was 7.0% showing a decrease over previous period of 116 basis points. Northern Europe has also been affected by the significant increase in raw material prices.

#### ***Others***

The Others segment mainly refers to corporate costs in the headquarters.

### **Cash Flow**

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

For the three month period ended March 31, 2011, cash flow from operating activities increased to €5.5 million versus €4.7 million for the same period in 2010. This €0.7 million improvement was primarily attributable to an improved working capital, lower net interest expenses and income tax paid and various collection (government grants and similar operating compensations). The cash out for interest expenses for the three month period ended March 31, 2010 reflects the payment related to our derivatives financial structure.

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

For the three month period ended March 31, 2011, cash flow from investing activities amounted to a negative €0.2 million, compared to a negative €8.5 million for the same period in 2010. Capital Expenditures amounted to €6.2 million in the three month period ended March 31, 2011 and €5.4 million in the same period last year. During the three month period ended March 31, 2011, the Company purchased the remaining minority interests in Jamones Burgaleses (Spain). The cash flow from investing activities includes in the three month period ended March 31, 2010, the purchase of the remaining minority interests in Navidul Extremadura (Spain).

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

For the three month period ended March 31, 2011, cash flow from financing activities amounted to a negative €0.9 million compared to a negative €5.1 million for the same period last year. The cash flow from financing activities for three month period ended March 31, 2010 includes the merger-related Earn-Out payment to Smithfield Foods.

## **RECENT DEVELOPMENT**

On April 6, 2011, Campofrio Food Group, S.A was informed by Smithfield Foods Inc and Mr. Pedro Ballvé that they are negotiating the possibility of launching a potential joint delisting takeover bid over 100% of the share capital of Campofrio Food Group S.A. (the “Offer”). The consideration that would be offered in the Offer would be 9.5 euros per share.

The Offer is currently under negotiation and, therefore, it will depend on, apart from Smithfield Foods Inc and Mr. Pedro Ballvé reaching all necessary binding agreements, obtaining an approval from Campofrio’s Shareholders General Meeting of the Offer itself and of a waiver of the standstill undertakings assumed up to December 30, 2011 by Smithfield Foods Inc with the occasion of the merger between Campofrio Alimentación, S.A. and Groupe Smithfield Holdings, S.L., as well as obtaining the CNMV’s approval of the Offer and other relevant regulatory approvals.

## **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.