CAMPOFRIO FOOD GROUP

UNAUDITED INTERIM SELECTED
CONSOLIDATED FINANCIAL INFORMATION
THREE MONTH PERIOD ENDED
31st MARCH 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)

	Three month ended March 31,			
	2017		2016	
	Actual (unaudited)	% of total oper. revenue	**Actual (unaudited)**	% of total oper. revenues
Operating revenues				
Net sales and services	456,600	94.8%	444,255	97.1%
Increase in inventories	22,263	4.6%	12,358	2.7%
Capitalized expenses on Company's work on assets	1,757	0.4%	4	0.0%
Other operating revenue	1,047	0.2%	952	0.2%
Total operating revenues	**481,667**	**100.0%**	**457,569**	**100.0%**
Operating expenses				
Consumption of goods and other external charges	(274,968)	(57.1%)	(249,544)	(54.5%)
Employee benefits expense	(78,849)	(16.4%)	(78,589)	(17.2%)
Depreciation and amortization	(13,537)	(2.8%)	(11,952)	(2.6%)
Changes in trade provisions	(614)	(0.1%)	(411)	(0.1%)
Other operating expenses	(95,931)	(19.9%)	(95,539)	(20.9%)
Total operating expenses	**(463,899)**	**(96.3%)**	**(436,035)**	**(95.3%)**
Impairment of non - current assets	(71)	0.00%	-	0.00%
Operating profit	**17,698**	**3.7%**	**21,534**	**4.7%**
Financial expenses, net	(9,449)	(2.0%)	(5,867)	(1.3%)
Other results	66	0.0%	459	0.1%
Profit (loss) before tax	**8,314**	**1.7%**	**16,126**	**3.5%**
Income taxes	(3,272)	(0.7%)	(3,995)	(0.9%)
Profit for the period from continuing operations	**5,042**	**1.0%**	**12,131**	**2.7%**
Profit for the period	**5,042**	**1.0%**	**12,131**	**2.7%**
Non-controlling interests	-	-	-	-
Attributable to equity holders of the parent company	5,042	1.0%	12,131	2,7%

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,	
	Mar 31, 2017	**Mar, 2016**
	Actual (unaudited)	**Restated (unaudited)**
ASSETS		
Property, plant and equipment	739,203	592,266
Goodwill	450,873	460,002
Other intangible assets	260,285	270,999
Non-current financial assets	357	3,106
Investments accounted for under the equity method	32,843	32,608
Deferred tax assets	100,603	110,193
Total non-current assets	**1,584,164**	**1,469,174**
Biological Assets	1,511	-
Inventories	381,320	350,320
Trade and other receivables	151,497	156,694
Other current financial assets	390	390
Other current assets	7,868	8,148
Cash and cash equivalents	293,976	275,458
Total current assets	**836,562**	**791,010**
Assets classified as held for sale and discontinued operations	**-**	**-**
TOTAL ASSETS	**2,420,726**	**2,260,184**
EQUITY AND LIABILITES		
Equity attributable to equity holders of the parent	840,513	789,909
Equity	**840,513**	**789,909**
Debentures	395,477	493,322
Interest-bearing loans and borrowings	-	-
Other financial liabilities	12,234	11,382
Debts with group and associated companies	103,000	-
Deferred tax liabilities	133,187	147,904
Other non-current liabilities	146	146
Provisions	39,545	55,852
Total non-current liabilities	**683,589**	**708,606**
Debentures	562	703
Interest-bearing loans and borrowings	78	9,100
Trade and other payables	719,947	650,836
Other financial liabilities	1,848	1,665
Interest with group and associated companies	116	
Creditor for income tax	6,686	2,655
Provisions	8,412	9,692
Other current liabilities	158,975	87,018
Total current liabilities	**896,624**	**761,669**
Liabilities associated to operations on sale or discontinued	**-**	**-**
TOTAL EQUITY AND LIABILITIES	**2,420,726**	**2,260,184**

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

CONSOLIDATED CASH FLOW STATEMENT

Campofrío Food Group
(*In Thousands of Euros*)

	Three month ended March 31,	
	2017	**2016**
	Actual (unaudited)	**Restated (unaudited)**
Operating flows before changes in working capital	**27,793**	**34,745**
Changes in working capital	(17,460)	(50,224)
Cash flows from operating activities	**10,333**	**(15,479)**
Net interest payments	(8,930)	(9,312)
Provision and pensions payment	(1,609)	(2,939)
Income tax paid	(2,640)	(3,572)
Other collection and payments	-	-
Net cash flows from operating activities	**(2,846)**	**(31,302)**
Investments in property, plant and equipment	(40,460)	(25,961)
Divestment in Joint Ventures	-	-
Other cash flows from investing operations, net	298	4
Net cash flows from investing activities	**(40,162)**	**(25,957)**
Changes in financial assets and liabilities	(3,716)	771
Debt with associated company	103,000	-
Repayments of bank debt	-	-
Repayments of debentures and bonds	(100,000)	-
Net cash flows from financing activities	**(716)**	**771**
Net increase/(decrease) in cash and cash equivalents	**(43,724)**	**(56,488)**
Cash and cash equivalents at beginning of period	337,700	331,946
Cash and cash equivalents at end of period	293,976	275,458

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	**Three month ended March 31,**	
	2017	**2016**
	Actual (unaudited)	**Actual (unaudited)**
Profit for the period attributable to equity holders of the parent company	5,042	12,131
Profit (loss) after tax for the period from discontinued operations	-	-
Income taxes	3,272	3,995
Other results	(66)	(459)
Financial expenses, net	9,449	5,867
Impairment of assets	71	-
Depreciation and amortization	13,537	11,952
EBITDA Reported	**31,305**	**33,486**

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 this purposes, is the parent of a group of companies consolidated under the full and equity consolidation methods.

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

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

Basis of preparation

The amounts of the consolidated income 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.

Operating Segment Reporting

Results are presented in accordance with following strategic reporting segments:

- Southern Europe: includes mainly operating activities managed in Spain, Portugal & Italy.
- Northern Europe: includes operating activities managed primarily in France, the Netherlands, Belgium & Germany.
- Other: includes mainly corporate monitoring and supervising activities and operating activities managed in USA.

Note: Elimination in Net Sales and Services segment reporting refers to the elimination of inter-segment sales (i.e.: sales between Southern and Northern Europe) eliminated at consolidated level. Segment information is presented net of intra-segment sales (i.e.: sales between Spain and Portugal).

Note: 2017 segment information is built following a full internal cost allocation model. To allow comparability, prior year information has been restated were appropriate.

Net Financial Debt, Liquidity and Capital Resources

The following chart sets forth the Company's net Financial debt position as of March 31, 2017 and March 31, 2016.

NET FINANCIAL DEBT	**Three month ended March 31,**	
(*In Thousands of Euros*)	**2017**	**2016**
Non-current financial debt		
Debentures	395,477	493,322
Interest-bearing loans and borrowings	-	-
Other financial liabilities	12,234	11,382
Financial derivatives instruments	-	-
Debts with associated companies	103,000	-
Current financial debt		
Debentures	562	703
Interest-bearing loans and borrowings	78	9,100
Other financial liabilities	1,848	1,665
Interest with associated companies	116	-
Current financial assets		
Other current financial assets	(390)	(390)
Cash and cash equivalents	(293,976)	(275,458)
Total Net Financial Debt	**218,949**	**240,324**

As of March 31, 2017, the Company's net financial debt is €43.5 million higher than in December, 2016 but €21.4 million below the same period last year. Thus, leaving aside the usual seasonality evolution, relative indebtedness remains at historically low level. Besides, Gross Debt has decreased as the remaining minor local bank lines have been repaid as well.

As an evidence of our deleveraging commitment and given excess liquidity, the Company has undertaken two Notes redemption operations amounting to €50.0 million each in February and March respectively in accordance to the procedures set out in the Indenture at a price of 103.0% plus accrued interest. As a result, the outstanding Notes amount now to €400.0 million face value.

To this extent and as a consequence of a global financial strategy in conjunction with the Company´s shareholders, an equivalent €103.0 million parent company loan with one of the Company's shareholders has been put in place in "pari passu" conditions with respect to the Notes Indenture in terms of costs and tenor.

Therefore, the total long-term debt consists now of the outstanding Notes issued in 2015 which amount to €396.0 million, net of issuance cost plus accrued and unpaid interest and the €103.0 million parent company loan.

The Company´s balance sheet continues to be unusually straight-forward being all debt held at parent Company level without any refinancing risk concerns. 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. The Company's liquidity position keeps on being very solid amounting to €388 million as of March 31, 2017, consisting of €294.0 million in cash and cash equivalents, €94.0 million of fully available bank lines in Euros(€92.0 million committed lines and €2.0 million uncommitted lines) with thirteen different banks. As previously reported, the Company has continued the 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. This has been a banking relations rationalization exercise in conjunction with our shareholders, whilst preserving a solid liquidity position as it has been recurrently be the case over the last years.

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 March 31, 2017 and March 31, 2016.

Debentures	**Consolidated position at**	
(*In Thousands of Euros*)	**31/03/2017**	**31/03/2016**
Non-current debentures	395,477	493,322
Current debentures	562	703
Principal	-	-
Accrued interest	562	703
Total debentures	**396,039**	**494,025**

Interest-bearing loans and borrowings	**Consolidated position at**	
(*In Thousands of Euros*)	**31/03/2017**	**31/03/2016**
Debts with associated companies	103,000	
Bank loans and credit facilities	-	8,844
Senior term loan	-	135
Credit lines	-	8,709
Discounted bills payable	-	155
Interest payable	78	101
Interest with associated companies	116	-
Total	**103,194**	**9,100**

The following table sets forth the situation of the Company's current and non-current other financial liabilities as of March 31, 2017 and March 31, 2016.

Other financial liabilities	**Consolidated position at 31/03/2017**			**Consolidated position at 31/03/2016**		
(In thousands of €)	**Non-current**	**Current**	**Total**	**Non-current**	**Current**	**Total**
Financial leases	5,320	1,322	6,642	5,733	1,343	7,076
Other financial liabilities	6,914	526	7,440	5,649	322	5,971
Total	**12,234**	**1,848**	**14,082**	**11,382**	**1,665**	**13,047**

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 three month period ended March 31, 2017, the Company had Net Sales and Services and Reported EBITDA of €456.6 million and €31.3 million, 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 27 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

	Three month ended March 31,			**% Increase (decrease) over prior period**	
Pig carcass average price	**2015**	**2016**	**2017**	**2016 vs. 2015**	**2017 vs. 2016**
		(price in €/kg)			
Spain Mercolleida	1.40	1.23	1.54	-12.1	+25.2
France MPB	1.30	1.25	1.53	-3.8	+22.2
Netherlands Monfoort	1.29	1.21	1.49	-5.8	+23.4
Belgium Danis	1.19	1.09	1.35	-8.7	+24.1
Germany AIM	1.39	1.31	1.58	-5.2	+19.9
Denmark DC	1.28	1.25	1.45	-2.2	+15.6

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 Q1 2017, EU28 soft wheat, barley and corn prices respectively increased by +15.0%, 2.1%, +16.0%.

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 [111MT] and Argentina [56MT]) is expected to have harvested a record soybean crop this past winter.

On a global basis for 2016, total world grain production rose to 2106 MT, up 99MT or +5.0% versus last year, amounting the largest historical crop. With increases for food, feed and industrial uses, consumption will also reach an all-time high at 2072 MT. And campaign end stocks will be up +7.0% to 513 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 lower prices widened the margins for both meat production, leading to the current growth 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 an estimated 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. The output rose in Spain (+4.2%), United Kingdom (+2.3%), France (+1.1%), Poland (+3.0%), Holland (1.1%) and Italy (+3.9%). On the other hand, Germany (-0.1%), Denmark (-2.1%) and Belgium (-5.7%) saw a drop. Pork carcass prices touched an 8 year low during the spring with the excess supply.

A private storage was financed by the EU commission amounting to 91,000 metric tons of pork. By the end of May , it was consumed entirely due to surging demand from China. In addition, the EU announced the renewal of it trade restrictions towards Russia until 2017.

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.

In USA, 2016 pork production rose +2.5%, leading to prices lower by -7.8% versus last year. In past 3 months, prices have traded +9.8% above year ago levels, despite a large rise in pork meat output (+6.8% 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 now accounts 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 are expected to find strong support in Asian demand again.

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. Year to date 2017, the prices evolution reflected the heterogeneous supply and demand conditions in each production basin. Compared to year ago levels, Q1 2017 pork quotations increased sharply in all key producing countries: France (+22.2%), Netherlands (+23.4%), Germany (+19.9%), Belgium (+24.1%), Denmark (+15.6%), Spain (+25.2%), due to a drop in domestic production combined with dynamic Chinese demand.

In line with the pork carcass prices, all pieces have risen strongly, to surpass their year ago levels all countries. YTD 2017 public market value of hams increased in the main countries: France (+10.9%), Germany (+10.4%), Belgium (+12.8%), Spain (16.2%). The ham to pig price ratios have rebounded from their lowest historical levels during 2015. Shoulders prices rose from +25.5% in Spain, to +10.1% in Belgium, +14.1% in Germany, +22.7% in France. After dropping all last year, belly prices rebounded sharply in EU: Germany (+46.1%), Belgium (+25.4%), France (+11.2%), Spain (+46.0%). South Korea imports of bellies contributed mostly to the trend. Fat, jowls, trimmings all traded above their year ago levels as well.

Also positively affected by lower feeding costs, European chicken carcass prices are still bottoming out (from -0.5% in Spain, or -1.0% in Poland). While French turkey is mostly unchanged YTD, the trend displays a gradual decrease since January 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 March 2017, the average pork meat price purchased by the Company increased +9.8% 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 +13.7% versus the same period last year.

Results of Operations

Comparison of the three month period ended March 31, 2017 and the three month period ended March 31, 2016

Operating Revenues

The following table sets forth a detailed breakdown of our operating revenues for the three month period ended March 31, 2017 and March 31, 2016.

Operating revenues *(in thousands of €)*	**Three month ended March 31,**			
	2017		**2016**	
	Actual (unaudited)	% of total oper. Revenues	**Actual (unaudited)**	% of total oper. revenues
Net sales and services	456,600	94.8%	444,255	97.1%
% increase in Net sales and services	2.8%			
Increase in inventories of finished products and work-in-progress	22,263	4.6%	12,358	2.7%
Capitalized expenses on Company's work on assets	1,757	0.4%	4	0.0%
Other operating revenue	1,047	0.2%	952	0.2%
Total operating revenues	**481,667**	**100.0%**	**457,569**	**100.0%**
% increase in total operating revenues	*5.3%*			

Operating revenues increased by 5.3% to €481.7 million for the three month period ended March 31, 2017 compared to €457.6 million for the three month period ended March 31, 2016. This result reflects a increase in net sales and services of 2.8% to €456.6 million for the three month period ended March 31, 2017 compared to €444.3 million for the three month period ended March 31, 2016. The increase in total operating revenue was mainly attributable to an increase in net sales in the Southern segment and US.

Operating Expenses

The following table sets forth a detailed breakdown of operating expenses for the three month period ended March 31, 2017 and March 31, 2016.

Operating expenses *(In thousands of €)*	**Three month ended March 31,**			
	2017		**2016**	
	Actual (unaudited)	% of total oper. revenues	**Actual (unaudited)**	% of total oper. revenues
Consumption of goods and other external charges	(274,968)	(57.1%)	(249,544)	(54.5%)
Employee benefits expense	(78,849)	(16.4%)	(78,589)	(17.2%)
Depreciation and amortization	(13,537)	(2.8%)	(11,952)	(2.6%)
Changes in trade provisions	(614)	(0.1%)	(411)	(0.1%)
Other operating expenses	(95,931)	(19.9%)	(95,539)	(20.9%)
Total operating expenses	**(463,899)**	**(96.3%)**	**(436,035)**	**(95.3%)**
% increase in total operating expenses	*6.4%*			

Total operating expenses increased by 6.4% to €463.9 million for the three month period ended March 31, 2017 from €436.0 million for the three month period ended March 31, 2016. The increase in total operating expenses was primarily attributable to an increase in consumption of goods and an increase in depreciation and amortization . Operating expenses constituted 96.3% and 95.3% of total operating revenues for the three month period ended March 31, 2017 and 2016, respectively.

Consumption of Goods and Other External Charges

Consumption of goods and other external charges increased by 10.2% to €275.0 million for the three month period ended March 31, 2017 from €249.5 million for the three month period ended March 31, 2016. Consumption of goods and other external charges constituted 57.1% and 54.5% of total operating revenues for the three month period ended March 31, 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 6.3% the three month period ended March 31, 2017 compared to the same period of 2016.

Employee Benefits Expenses

Employee benefits expenses increased by 0.3% to €78.8 million for the three month period ended March 31, 2017 from €78.6 million for the three month period ended March 31, 2016. Employee benefits expenses constituted 16.4% and 17.2% of total operating revenues for the three month period ended March 31, 2017 and 2016, respectively.

Depreciation and Amortization

Depreciation and amortization increased by 13.3% to €13.5 million for the three month period ended March 31, 2017 from €12.0 million for the three month period ended March 31, 2016. Depreciation and amortization represented 2.8% and 2.6% of total operating revenues for the three month period ended March 31, 2017 and 2016, respectively.

Changes in Trade Provisions

Changes in trade provisions increased by 49.4% to €0.6 million for the three month period ended March 31, 2017 from €0.4 million the three month period ended March 31, 2016.

Other Operating Expenses

Other operating expenses increased by 0.4% to €95.9 million for the three month period ended March 31, 2017 compared to €95.5 million for the three month period ended March 31, 2017. Other operating expenses constituted 19.9% and 20.9% of total operating revenue for the three month period ended March 31, 2017 and 2016, respectively.

Results of Companies Accounted for Using the Equity Method

For the three month period ended March 31, 2017 and 2016, results of companies accounted for using the equity method amounted to a €0.1 million gain and a €0.5 million gain, respectively.

Finance Revenue and Finance Costs

Net finance cost increased to €9.4 million for the three month period ended March 31, 2017, compared to €5.9 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 as 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 €3.3 million was recognized for the three month period ended March 31, 2017 compared to a €4.0 million loss in the same period of 2016. The effective tax rate was hardly comparable due to the different taxable income across different jurisdictions.

(In thousands of €)	**Three month ended March 31,**	
	2017	**2016**
	Actual (unaudited)	**Actual (unaudited)**
Profit before tax	8,314	16,126
Income tax	(3,272)	(3,995)
Profit for the year from continuing operations	5,042	12,131

Profit (Loss) for the Period

Profit for the period amounted to €5.0 million gain for the three month period ended March 31, 2017, compared to €12.1 million gain in the same period of 2016.

Operating Segment Reporting

Net sales and services	Three month ended March 31,			
	2017		2016	
(In thousands of €)	**Actual (unaudited)**	% of total	**Actual (unaudited)**	% of total
Southern Europe	261,178	57.2%	254,041	57.2%
Northern Europe	182,674	40.0%	183,129	41.2%
Other	23,773	5.2%	21,405	4.8%
Eliminations	(11,025)	(2.4%)	(14,320)	(3.2%)
Total net sales and services	**456,600**	**100.0%**	**444,255**	**100.0%**

EBITDA Reported	Three month ended March 31,			
	2017		2016	
(In thousands of €)	**Actual (unaudited)**	% of total	**Actual (unaudited)**	% of total
Southern Europe	12,754	40.7%	13,941	41.6%
Northern Europe	9,712	31.0%	13,590	40.6%
Other	8,839	28.2%	5,955	17.8%
Total EBITDA Reported	**31,305**	**100.0%**	**33,486**	**100.0%**
% EBITDA Reported margin over Net Sales				
Southern Europe	4.9%		5.4%	
Northern Europe	5.3%		7.4%	
Other	37.2%		27.86%	
Total EBITDA Reported	**6.9%**		**7.6%**	

Southern Europe

Net sales and services in Southern Europe increased by 2.8% to €261.2 million for the three month period ended March 31, 2017 from €254.0 million for the same period of 2016. The increase was due to the higher Net sales in Spain (both Packaged and Fresh meat) and also in Portugal and Italy.

Northern Europe

Net Sales in Northern Europe decreased by 0.2% to €182.7 million for the three month period ended March 31, 2017 compared to €183.1 million for the same period of 2016. The decrease was attributable to France, and Belgium, partially offset by higher Net sales in Germany and The Netherlands.

Other

The Other segment mainly refers our business in U.S., which, during the three month period ended March 31, 2017, continued to outperform in Net sales value due to improved top line strategy.

Cash Flow

Cash Flows from Operating Activities

For the three month period ended March 31, 2017, the Company generated net cash flows from operating activities amounted to €2.8 million cash out compared to €31.3 million cash out for the three month period ended March 31, 2016. This decrease was primarily attributable to lower working capital deterioration, lower gross operating cash flow, lower income tax payments and lower pension and provision payments.

Cash Used in Investing Activities

For the three month period ended March 31, 2017, net cash used in investing activities amounted to €40.2 million cash out, compared to €26.0 million cash out for the same period in 2016. Capital expenditures amounted to €40.5 million for the three month period ended March 31, 2017 and €26.0 million for the three month period ended March 31, 2016. The increase in cash out is mainly related to increase in capital expenditures mainly due to “La Bureba” new factory.

Cash Flow from Financing Activities

For the three month period ended March 31, 2017, net cash flow used in financing activities was €0.7 million cash out, compared to €0.8 million cash in for the same period of 2016. The cash flow from financing operations for the three month period ended March 31, 2017 includes the partly redemption of the Notes issued in 2015amounting 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.

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.