



Avda. de Europa 24, Parque Empresarial La Moraleja, 28108 Alcobendas (Madrid)

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STOCK EXCHANGE COMMISSION

**Attn: Mr. Rodrigo Buenaventura
Head of Secondary Markets
Directorate-General of Markets
C/ Serrano, 47
28001 Madrid**

Madrid, May 24, 2011

Dear Sir:

In accordance with the provisions of Article 82 of Securities Market Act 24/1988, of July 28, 1988, notice of the following Material Fact is hereby served, for its inclusion on the public registers of this Stock Exchange Commission:

On the date hereof, the Board of Directors of Campofrio Food Group, S.A. ("**Campofrio**" or the "**Company**") has agreed to call an Ordinary Shareholders' Meeting of the Company, to be held on June 28, 2011 at first call and June 29, 2011 at second call, the attached call notice for which will be published shortly.

In addition, and in relation to the material fact notified on April 6, 2011, in which notice was given of the communication made by Smithfield Foods Inc. and Mr. Pedro Ballvé with respect to the existence of negotiations for the potential launch of a delisting tender offer for 100% of the share capital of Campofrio Food Group at a price of €9.50 per share (the "**Offer**"), it is placed on record that the former have notified the Board of Directors on the date hereof, that they are still negotiating the binding agreements necessary for the joint launch of the Offer (including agreements and commitments to finance the Offer with financial institutions). As soon as any material information in this respect becomes available it will be published and disclosed in accordance with the provisions of securities

market legislation. In any event, as stated in the aforementioned material fact of April 6, 2011, this communication does not imply any obligation nor does it give rise to any liability in the event that the Offer is not ultimately made, which will require the satisfactory conclusion of the negotiations currently underway and compliance with the corresponding legal requirements.

Very truly yours,

The Secretary of the Board of Directors
Campofrío Food Group, S.A.

Signed: Alfredo Sanfeliz Mezquita

It is attached herein the announcement, the proposals of corporate resolutions and the directors report



CAMPOFRÍO FOOD GROUP, LIMITED COMPANY

ORDINARY GENERAL SHAREHOLDERS' MEETING

The Board of Directors of CAMPOFRÍO FOOD GROUP, LIMITED COMPANY, in compliance with the provisions of article 13 of the Company bylaws and the Capital Companies Act, has decided to call for an Ordinary General Shareholders' Meeting, which will take place on **28 June 2011**, at **12:00 pm** on first call, at 24, Torona Building, Europa Ave., Parque Empresarial La Moraleja, Alcobendas, 28108 (Madrid), and if necessary on the second day at the same place and time, on second call, in order to discuss and resolve the following:

AGENDA

First.- Analysis and approval, where applicable, of the Annual Accounts (Balance sheet, Income Statement, Statement on Changes in Equity, Cash flow Statement and Notes to the financial Statement) and Management Reports corresponding to fiscal year 2010 of the Company and its Consolidated Group, as well as profit distribution proposal corresponding to fiscal year 2010 and application of results.

Second.- Analysis and approval, where applicable, of the Board of Directors management corresponding to year 2010.

Third.- Analysis and approval, where applicable, of the amendment of articles 8, 12,13, 14, 17, 18,19, 23, 24, 27, 28 and 29 of the Company By-laws, concerning the replacement of references to the repealed Companies Act with the relevant references to the Capital Companies Act currently in force.

Fourth. – Analysis and approval, where applicable, of the amendment of article 9 of the Company By-laws, concerning certain modifications in relation to the preemptive subscription rights regime and the replacement of references to the repealed Companies Act with the relevant references to the Capital Companies Act currently in force.

Fifth.- Analysis and approval, where applicable, of the amendment of articles 24 bis and 24 quarter of the Company By-laws, concerning the inclusion of modifications relating to the composition and functions of the Audit Committee.

Sixth. – Analysis and approval, where applicable, of the amendment of articles 2, 3, 4, 11,12 and 15 of the Regulation of the General Shareholders meeting, concerning the replacement of references to the repealed Companies Act with the relevant references to the Capital Companies Act currently in force.

Seventh. – Analysis and approval, where applicable, of the amendment of article 6 and inclusion of new article 6 bis of the Regulation of the General Shareholders meeting, concerning the creation and regulation of an Electronic Company Shareholder Forum.

Eighth: Delegation of powers in favour of the Board of Director to construe, apply, give effect to, and carry out, those resolutions passed by the General Meeting which require it, including any corrections which may be required to comply with any necessary requirements either to give effect to them or to register them.

Nine.- Authorisation to execute in public deeds those General Meeting resolutions which so require or which have to be registered in Public Registers, and to give effect to such resolutions.

Likewise and after the statement of matters included in the Agenda, the Meeting shall be presented with an Explanatory report of the matters included in the Management Reports in accordance with former article 116, bis of the Stock Market Law.

The Board of Directors has made use of the right conferred upon it by article 203.1 of the Capital Companies Act and article 101 and those following it of the Companies Registry Regulations, by which a deed is drafted with notarial intervention.

RIGHT TO INFORMATION AND CALL TO MEETING

In accordance with the provisions of article 197 of the Capital Companies Act, up to the seventh day before the day of the meeting, the shareholders can request information or clarifications deemed necessary about the matters included in the agenda from the managers, or they can formulate questions deemed relevant in writing. Shareholders can request information or clarifications or submit written questions about publicly accessible information that might have been provided by the company to the National Securities Market Commission since the last general meeting.

Likewise, in accordance with the Capital Companies Act and the Company Bylaws, after the call for the General Meeting, any shareholder can examine, at the registered office, and where necessary, obtain from the company, immediately and for free, the documents to be submitted for the approval or consideration of the meeting, as well as request for the delivery or free dispatch of these, among which are included:

- Annual Accounts and Management Reports for the year 2010 of the Company and its Consolidated Group, as well as Reports of Account Auditors, in accordance with article 272.2 of the Capital Companies Act.
- The full text of the proposed agreements submitted by the Board of Directors to the Meeting.
- The Corporate Governance Report for the year 2010 approved by the Board of Directors.
- The Explanatory report of the matters included in the Management Reports in accordance with former article 116 bis of the Securities Market Law
- The report by the Board of Directors in relation to the proposed amendment of the By-Laws and of the Regulation of the General Shareholders Meeting

The mentioned documents can also be queried on the company's webpage: www.campofriofoodgroup.com

In accordance with the provisions of article 172 of the Capital Companies Act, shareholders representing at least five per cent of the share capital may request a supplement to the call for this Meeting, including one or more points in the agenda. The exercise of this right must be made through a reliable notification that must be received at the registered office within five days of the publication of the call to meeting.

ELECTRONIC SHAREHOLDERS FORUM

In accordance with article 528.2 of the Capital Companies Act, CAMPOFRÍO FOOD GROUP, S.A. has created an Electronic Shareholders Forum on its website (www.campofriofoodgroup.com), on the occasion of the convening of the next Shareholders Meeting, which shall be accessible, with the due guarantees, by the individual shareholders as well as by the voluntary associations that may be incorporated in accordance with applicable regulation, in order to facilitate their communication prior to the holding of the General Shareholders Meeting.

RIGHT TO ATTEND AND VOTE

Shareholders who are registered in the record of book entries of the "Managing Company for Securities Registration, Clearing and Settlement of Stock Exchange Trades" (IBERCLEAR) or any of the bodies attached to it at least five days before the date of the Meeting on first call, as holders of TEN or more own or represented shares, or between own and represented, may attend the Meeting or assign their vote, it being

possible for them to group together to reach this minimum number of shares necessary to attend the Meeting, which will be accredited by the delivery of Meeting attendance cards issued by the depository bodies of the securities or those attached to the mentioned Depository.

Therefore, the shareholders must attend the General Meeting with their national identity document or its equivalent and of the corresponding attendance card issued by the body that made the above mentioned registry entry.

Shareholders with attendance rights who cannot attend the General Meeting can do so by proxy of another person who may not be a shareholder, complying with the requirements and formalities required by the Law and company bylaws. In cases of public request for representation and except for an indication against the person represented, in case the representative is involved in a conflict of interest, it will be assumed that the represented party has appointed jointly and successively, the President of the General Meeting, and if this person is in a situation of conflict of interest, the Secretary of the General Meeting, and if this person is in a conflict of interest, the President of the Audit Committee. When the document in which the representation or appointment is given is delivered to the company without the representative's identity being expressly established, it will be assumed that the represented party has appointed as representatives, jointly and successively, the persons with the above mentioned posts, applying the same rule mentioned above.

In case no voting instructions are given with respect to the proposals contained in the agenda, and unless otherwise indicated in the authorization, it will be understood that the representative will vote in favour of the proposals presented by the managing body. On the contrary and when dealing with points that are not included in the agenda of the call to meeting, and that are dealt with at the meeting, in case no voting instructions are given in this respect, and unless otherwise indicated in the authorization, the representative shall vote against these proposals.

The segmenting of the vote by those financial intermediaries appearing legitimately as shareholders, but acting on behalf of different clients, will be allowed, so that they may place votes in accordance with instructions received from their clients, provided that at least five working days before the date set for the meeting on first call, they should make a request in writing to the Company at the following address: Campofrío Food Group, S.A., Avenida de Europa nº 24, Parque Empresarial La Moraleja, 28108 Alcobendas (Madrid). (Re.: Segmented Vote) duly crediting the existence of reasons for the segmenting of the vote and if possible the establishment of procedures that guarantee their execution.

DATA PROTECTION

By virtue of the applicable regulations dealing with protection of personal data (Organic Law 15/1999, of 13 December), the shareholders are informed of the existence of a file or automated processing by Campofrío Food Group S.A., in its capacity as the body Responsible for the File, with personal data provided by shareholders or banking bodies, Companies and Security Agencies in which these shareholders have deposited their shares, through the legally authorized body for making book entries, IBERCLEAR, for the purpose of the General Meeting called by this document, as well as those arising as a result of this. The purpose of this file or procedure is the management of shareholder data, and where necessary that of their representatives, within the scope of the Company's General Shareholders' Meeting.

The shareholders or their representatives may exercise, under assumptions supported by law, the right to access, correction, cancellation or deletion of the file data through the corresponding notification (which must include the identification of the holder of the rights by means of a national identity document) to the following address: Campofrío Food Group, S.A., Avenida de Europa nº 24, Parque Empresarial La Moraleja, 28108 Alcobendas (Madrid). (Re.: Data Protection).

NOTE: It is established that the Meeting will take place on first call.

Madrid, May 24, 2011.

CAMPOFRIO FOOD GROUP S.A.

PROPOSALS BY THE BOARD OF DIRECTORS OF AGREEMENTS TO SUBMIT TO THE GENERAL SHAREHOLDERS MEETING TO BE HELD JUNE 28, 2011 ON FIRST CALL AND ON THE FOLLOWING DAY, JUNE 29, 2011 ON SECOND CALL

First.- Analysis and approval, where applicable, of the Annual Accounts (Balance sheet, Income Statement, Statement on Changes in Equity, Cash flow Statement and Notes to the financial Statement) and Management Reports corresponding to fiscal year 2010 of the Company and its Consolidated Group, as well as profit distribution proposal corresponding to fiscal year 2010 and application of results.

The Board proposes to the General Shareholders Meeting the approval of the Annual Accounts (Balance sheet, Income Statement, Statement on Changes in Equity, Cash flow Statement and Notes to the financial Statement), Management Reports for the fiscal year ending December 31, 2010, both for Campofrio Food Group, S.A. (the “**Company**”) as well as the Consolidated Group, audited by the company Ernst & Young.

The Board of Directors proposes application of the after-tax profit for the 2010 financial year, amounting to 22.695 million euros, in accordance with the terms of section 3 of the explanatory notes, establishing the application of 5.635 million euros to the account for negative results from previous financial years, 6.838 million euros to the goodwill reserve and 10.222 million euros fully applied to the payment of dividends, involving payment of a gross dividend per share of 0.10 euros, subject to the adjustments which may proceed due to the increment of the amount corresponding to the shares that may exist at that time in treasury stock.

The date of payment of the dividend, in case of approved, will be the next 7th of July.

Second.- Analysis and approval, where applicable, of the Board of Directors management corresponding to year 2010.

The Board of Directors proposes the approval of its management during fiscal year 2010.

Third.- Analysis and approval, where applicable, of the amendment of articles 8, 12,13, 14, 17, 18,19, 23, 24, 27, 28 and 29 of the Company By-laws, in relation to the replacement of the references to the repealed Public Limited Companies Act with the appropriate references to the current Spanish Companies Act.

The Board of Directors proposes the approval of the amendment of articles 8, 12, 13, 14, 17, 18, 19, 23, 24, 27, 28 and 29 of the Company By-Laws in relation to the replacement of the references to the repealed Public Limited Companies Act with the

appropriate references to the current Spanish Companies Act, accordingly to the proposal of report issued by the Board of Directors of the Company, approved by the Board of Directors in its meeting of February 25, 2011.

Fourth. – Analysis and approval, where applicable, of the amendment of article 9 of the Company By-laws in relation to certain changes in the rules on the pre-emptive rights and the replacement of the references to the repealed Public Limited Companies Act with the appropriate references to the current Spanish Companies Act.

The Board of Directors proposes the approval of the amendment of article 9 of the Company By-Laws in relation to certain changes in the rules on the pre-emptive rights and the replacement of the references to the repealed Public Limited Companies Act with the appropriate references to the current Spanish Companies Act, accordingly to the proposal of report issued by the Board of Directors of the Company, approved by the Board of Directors in its meeting of February 25, 2011.

Fifth.- Analysis and approval, where applicable, of the amendment of article 24 bis and 24 quarter of the Company By-laws in relation to the introduction of amendments concerning the composition and duties of the Audit Committee.

The Board of Directors proposes the approval of the amendment of articles 24 bis and 24 quarter of the Company By-Laws in relation to the introduction of amendments concerning the composition and duties of the Audit Committee, accordingly to the proposal of report issued by the Board of Directors of the Company, approved by the Board of Directors in its meeting of February 25, 2011.

Sixth. – Analysis and approval, where applicable, of the amendment of articles 2, 3, 4, 11, 12 and 15 of the Regulation of the General Shareholders meeting in relation to the replacement of the references to the repealed Public Limited Companies Act with the appropriate references to the current Spanish Companies Act.

The Board of Directors proposes the approval of the amendment of articles 2, 3, 4, 11,12 and 15 of the Regulation of the General Shareholders meeting in relation to the replacement of the references to the repealed Public Limited Companies Act with the appropriate references to the current Spanish Companies Act, accordingly to the proposal of report issued by the Board of Directors of the Company, approved by the Board of Directors in its meeting of February 25, 2011.

Seventh. – Analysis and approval, where applicable, of the amendment of article 6 and inclusion of new article 6 bis of the Regulation of the General Shareholders meeting in relation to the creation and regulation of a Shareholders' Electronic Forum.

The Board of Directors proposes the approval of the amendment of articles 6 and the inclusion of new article 6 bis of the Regulation of the General Shareholders meeting in relation to the creation and regulation of a Shareholders' Electronic Forum, accordingly to the proposal of report issued by the Board of Directors of the Company, approved by the Board of Directors in its meeting of February 25, 2011.

Eighth: Delegation of powers in favour of the Board of Director to construe, apply, give effect to, and carry out, those resolutions passed by the General Meeting which require it, including any corrections which may be required to comply with any necessary requirements either to give effect to them or to register them.

In relation to all of the agreements previously adopted, it is proposed to delegate in the Board of Directors of the Company so that they may, with the faculty to in turn delegate to any of its members or the Secretary of the Board, appear before the relevant Mercantile Registries, the Spanish Securities Exchange Commission (CNMV), and any other relevant authorities, official bodies, entities public or private, to sign to such effect any documents, either public or private and fulfilling any burocratic proceeding or action that is required or convenient for the execution of the preceding agreements, and specifically to the establishment, clarification, precision, modification or interpretation of its content in all of the conditions of the same that were not foreseen by the General Shareholders Meeting, formalizing any complementary documents that may be required, as well as to rectify any errors or omissions that may be appreciated or indicated by the Spanish Securities Exchange Commission (CNMV), the Mercantile Registry and/or any other relevant authorities, agencies or entities.

Nineth.- Authorisation to execute in public deeds those General Meeting resolutions which so require or which have to be registered in Public Registers, and to give effect to such resolutions.

It is proposed to grant faculties to Mr. Pedro Ballve Lantero and to Mr. Alfredo Sanfeliz Mezquita, so that either indistinctly may execute the agreements adopted during this Shareholders Meeting, extending to such effect any public or private documents that may be required, and duly registering them in the Public Registries and carrying out any complementary actions that may be needed.

Approved by the Board of Directors meeting of Campofrio Food Group S.A. held on February 25, 2011.

CAMPOFRÍO FOOD GROUP, S.A.

**REPORT ISSUED BY THE BOARD OF DIRECTORS OF THE COMPANY IN
RELATION TO THE PROPOSED AMENDMENTS OF THE BY-LAWS AND THE
PROPOSED AMENDMENTS OF THE REGULATION OF THE GENERAL
SHAREHOLDERS MEETING CALLED TO BE HELD ON JUNE 28, 2011 ON FIRST
CALL AND ON THE FOLLOWING DAY, JUNE 29, 2011 ON SECOND CALL**

(ITEMS THREE, FOUR, FIVE, SIX AND SEVEN OF THE AGENDA)

The Board of Directors of CAMPOFRÍO FOOD GROUP, S.A. (the “**Company**”), at a meeting held on 25 February 2011, resolved to submit for consideration and approval, if applicable, by the Ordinary General Shareholders Meeting of the Company, the proposals for amendment of the By-laws and the Regulations governing General Shareholders Meeting, in order to adapt the content thereof to the changes introduced by Royal Legislative Decree 1/2010, dated 2 July, approving the revised text of the Capital Companies Act (the “**Capital Companies Act**”), which repeals Royal Legislative Decree 1564/1989 approving the revised text of the Business Companies Act and also includes the modifications in the preemptive subscription rights procedure adopted by Act 3/2009, dated 3 April, on Structural Modifications (the “**Structural Modifications Act**”) and the modifications relating to the creation of an Electronic Shareholders Forum and the composition and functions of the Audit Committee introduced by Act 12/2010, dated 30 June (the “**12/2010 Act**”), amending the Auditing Act 19/1988, the Securities Market Act 24/1988 and the amended and restated Companies Act.

By issuing this Report, the Board of Directors complies with the provisions of article 286 of the Capital Companies Act, as it explains and justifies each of the proposals for amendment of the By-laws and the Regulations governing General Shareholders Meetings which are submitted for consideration by the Ordinary General Shareholders Meeting.

1. Background Information and Justification

As indicated above, the purpose of the amendment of the By-laws and of the Regulations governing General Shareholders Meetings is to adapt the content thereof to certain modifications in the corporate laws introduced by the Capital Companies Act, which in turn contains certain changes resulting from the Structural Modifications Act and Act 12/2010.

It is put on record that pursuant to and in compliance with the provisions of article 3 of the Regulation of the General Shareholders Meeting, the Audit Committee of the Company has previously issued a favourable opinion regarding the proposed amendment of such Regulation.

The modifications now proposed and analysed in detail below affecting the By-laws and the Regulation of the General Shareholders Meeting are a necessary consequence of the changes introduced by the aforementioned corporate laws and relate to formal and material matters.

With regard to the By-laws, item number THREE of the agenda proposes the amendment of articles eight, twelve, thirteen, fourteen, seventeen, eighteen, nineteen, twenty three, twenty four, twenty seven, twenty eight and twenty nine. The purpose of such amendment is to introduce formal changes to the wording of the said articles, namely by replacing all references to the repealed Companies Act with the relevant references to the Capital Companies Act currently in force.

Further, item number FOUR of the agenda proposes the amendment of article nine of the By-laws. This amendment seeks to incorporate the material modifications included in the Capital Companies Act in relation to the preemptive subscription rights procedure, i.e. by eliminating the preemptive subscription right of holders of convertible bonds following a capital increase or the issuance of convertible bonds and restricting shareholder preemptive subscription rights to capital increases carried out under consideration of cash.

Additionally, the abovementioned item of the agenda proposes to introduce formal changes in the wording of the said article nine of the By-Laws, namely by replacing all references to the repealed Companies Act with the relevant references to the Capital Companies Act currently in force.

Further, item number FIVE of the agenda proposes the amendment of articles twenty four bis and twenty four quarter of the By-laws. The purpose of such amendments is to adapt the mentioned articles to the new wording of Additional Provision Eighteen of the Securities Market Act, in accordance with the 12/2010 Act, which introduces certain modifications relating to the composition and functions of the Audit Committee.

With regard to the Regulations governing General Shareholders Meetings, item number SIX of the agenda, dealing with formal changes, proposes the amendment of articles two, three, four, eleven, twelve and fifteen in order to replace all references to the repealed Companies Act with the relevant references to the Capital Companies Act currently in force.

Finally, item number SEVEN of the agenda, dealing with material changes, proposes the amendment of article six as well as the inclusion of a new article six bis of the Regulations governing General Shareholders Meetings in order to, respectively, create an Electronic Company Shareholder Forum and regulate in detail its operation. Such Forum was introduced by the 12/2010 Act and is currently regulated in article 528 of the Capital Companies Act. The article establishes that a listed company is required to open an Electronic Shareholder Forum on its website in order to facilitate communications between shareholders before a General Shareholders' Meeting is held and, if appropriate, post proposals to be presented as a supplement to the agenda of the General Shareholders' Meeting, requests for acceptance of such proposals, initiatives to reach a sufficient percentage to exercise the minority right provided by law, as well as offers or requests for voluntary representation.

2. Proposed Resolutions

The full text of the resolutions submitted for approval by the Ordinary General Shareholders Meeting in item numbers THREE, FOUR, FIVE, SIX AND SEVEN of the agenda is as follows:

THREE.- Review and approval, if appropriate, of the amendment of articles 8, 12, 13, 14, 17, 18, 19, 23, 24, 24 bis, 24 quater, 27, 28 and 29 of the By-laws.

To approve the amendment of articles 8, 12, 13, 14, 17, 18, 19, 23, 24, 27, 28 and 29 of the By-laws, which shall hereinafter read as follows:

ARTICLE EIGHT

Capital Increases

The share capital may be increased or decreased by resolution of the General Shareholders Meeting called for such purpose, and subject to the provisions of the **Business Capital** Companies Act (*Ley de Sociedades Anónimas de Capital*).

Vesting of powers on the Board

In the event of a share capital increase, the General Meeting may vest on the Board the powers set out in the **Business Capital** Companies Act.

ARTICLE TWELVE

General Meetings

General Shareholders Meetings may be Ordinary or Extraordinary.

Ordinary General Meetings

The Ordinary General Meeting shall meet within the first six months of each corporate year, and its principal purpose shall be to review the company's management; to approve, where applicable, the accounts for the preceding financial year and the management report; and to decide on the allocation of results.

Notwithstanding the above, and in accordance with the provisions of the **Business Capital** Companies Act, the Ordinary General Meeting shall be deemed to be valid even though it has been called or held outside the time limit.

Extraordinary General Meetings

All other General Meetings shall be extraordinary and shall be held when called by the Board of Directors, when they believe it to be in the interest of the Company, or when a written request is made by a number of members holding at least five per cent of the share capital. Such request must set out the resolutions to be discussed at the Meeting, in the manner established in the **Business Capital** Companies Act.

ARTICLE THIRTEEN

Notice of Meeting

General Meetings shall be called by the Board of Directors in accordance with the **Business Capital** Companies Act.

Right to Information In addition to the legal requirements, and when so required by the Capital Companies Act, the notice of meeting shall also indicate the right of shareholders to examine at the registered office, and where applicable, to immediately obtain free of charge, the documents to be submitted for approval by the General Meeting and the expert reports stipulated in the aforementioned Act. When a legal provision lays down other requirements for general meetings discussing specific matters, this article shall not apply, and the specific provisions in each case shall be observed.

Additional Notice of Meeting The shareholders representing the minimum percentage of share capital established for this purpose in the Capital Companies Act may request that an additional Notice of Meeting be published, including one or more items on the Agenda, in which case, the provisions of the Capital Companies Act shall be observed. In the event of exercise of such right by shareholders with a holding below the legally established minimum, the Board of Directors may freely decide whether or not to grant such request.

ARTICLE FOURTEEN

Proxy Solicitation In the event of proxy solicitation, the provisions of the **Business Capital** Companies Act, and where applicable, those governing listed companies in the Securities Markets Act shall apply.

Unless express instructions are given otherwise by the shareholder, in the event that the proxy holder is affected by a conflict of interest, it shall be assumed that the shareholder has also appointed as proxy holders, jointly and severally and successively, the Chairman of the General Shareholders Meeting, and if he/she is affected by a conflict of interest, the Secretary of the General Shareholder Meeting, and if the later is affected by a conflict of interest, the Chairman of the Audit committee. When the proxy is delivered to the company without express identification of the proxy holder, it shall be assumed that the shareholder has appointed as proxy holders the persons holding the aforementioned offices, and the rule set forth in the foregoing paragraph shall apply.

The proxy may also include any other items that are not included on the Agenda, but which may be discussed at the meeting, when permitted by the law. In this case, the indications made in the foregoing paragraphs shall also apply. In the event that the proxy does not include voting instructions as to the proposals on the Agenda, unless otherwise indicated in the proxy, it shall be understood that the proxy holder shall vote in

favor of the proposals submitted by the Board of Directors.

Conversely, when items are to be discussed at the meeting that are not included on the Agenda, in the event that the proxy does not include voting instructions in this respect, unless otherwise indicated in the proxy, it shall be understood that the proxy holder shall vote against those proposals.

ARTICLE SEVENTEEN

Chairman's Duties It shall be the duty of the Chairman of the General Meeting to lead discussions; to give the floor and to decide on the length of time for successive contributions; to decide when a matter has been sufficiently discussed; and to choose the procedure for voting, settling any disputes that may arise.

With respect to all other matters, the provisions of the **Business Capital** Companies Act shall apply.

ARTICLE EIGHTEEN

Minutes and Approval Minutes of the General Meetings shall be drawn up, which may take any of the forms established in the **Business Capital** Companies Act. The Minutes shall be approved, when no special quorum is required, by means of the favorable vote of a simple majority of the shares present at the Meeting, which shall take place immediately after it has concluded, and failing this, within a period of fifteen days, by the Chairman and two Scrutineers, one on behalf of the majority and another on behalf of the minority.

Notarized Minutes When notarized minutes of the General Meeting are required, the preparation, content and completion of such minutes shall comply with the applicable laws. The notarized minutes shall be regarded as the minutes of the General Meeting.

Certificate of Resolutions The certificate of the resolutions of the General Meeting shall be drawn up in accordance with the provisions of the **Business Capital** Companies Act and the Commercial Registry Regulation applicable from time to time.

ARTICLE NINETEEN

Regulation The Board of Directors shall set forth the rules governing its own internal procedures in a Regulation and shall accept the resignation of its Directors in accordance with the provisions of the **Business Capital Companies Act**.

ARTICLE TWENTY-THREE

Capital Increases m) Conduct any capital increases authorized by the General Shareholders Meeting in accordance with the **Business Capital Companies Act**.

ARTICLE TWENTY-FOUR

Matters reserved to the Board The general policy of the Board shall be to delegate the ordinary management of the Company to executive bodies and to the management team, and the exercise of the general function of monitoring, though in no event those matters which are reserved to the Boards' direct knowledge under the law or the By-laws shall be delegated, nor those necessary for the Board to undertake a responsible exercise of its general function of monitoring and supervision.

In accordance with the above provisions and except as otherwise necessary in the event of urgency, the Board shall be the only one entitled to resolve on the following matters:

- a) The decisions that imply a structural modification of the Company including any proposal consisting on the modification of the Company By-laws.
- b) The "affiliation" or transfer of the Company's essential activities to its subsidiaries.
- c) The definition and approval of the Company's general policies and strategies and, in particular: (i) the strategic or business plan, management targets and annual budgets; (ii) the investment and financing policy; (iii) the design of the structure of the corporate group; (iv) the corporate governance policy and the corporate social responsibility policy; (v) the remuneration and evaluation of senior officers policy; (vi) the risk control and management policy; (vii) the dividend policy and the policy applying to treasury stock.
- d) The appointment and eventual removal of senior officers, on the proposal of the Company's chief executive, where applicable, and their compensation clauses.
- e) The approval of the directors' remuneration, in accordance with the provisions of article twenty-five of the by-laws, and, in the case of

executive directors, the additional consideration for their management duties.

- f) The financial information that listed companies are required to periodically disclose, unless such information was previously known or disclosed by the Auditing Committee.
- g) Investments, sales or purchases of assets or operations considered strategic by virtue of their amount or special characteristics.
- h) The creation or acquisition of shares in special purpose entities or entities resident in jurisdictions considered tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group.
- i) The approval of transactions which the Company conducts with directors, significant shareholders or shareholders with Board representation, or other persons related thereto, unless those transactions meet the following conditions: (i) they are governed by standard-form agreements applied on an across-the-board basis to a large number of clients, (ii) they go through at market rates, generally set by the supplier and, (iii) their amount is no more than 1% of the Company's annual revenues. The foregoing shall be understood without prejudice to the competences of the Auditing Committee and the directors' conflict of interest duties as set forth in the **Business Capital** Companies Act.

The Board shall approve, in its case, transactions with related parties with the prior favorable report of the Auditing Committee, in accordance with the provisions of these By-laws.

Any decisions on the matters described above which are directly adopted in accordance with this article by the delegated bodies or the management team on emergency grounds shall be notified and disclosed at the following Board meeting, and shall be expressly submitted for ratification by such body if necessary.

Managing Director The Board may appoint by means of a two-thirds majority one or more Managing Directors from among its members, drawing up a detailed list of the powers vested or specifying that all the powers are vested that may be vested by law and by the Company by-laws.

If several Managing Directors exist, indication should be made as to which powers are to be exercised jointly and severally and which are to be exercised jointly, or where applicable, if all or any shall be exercised either one way or the other.

Committees Without prejudice to those powers vested on the Managing Director(s) and the provisions of these By-Laws and the Regulation of the Board

with respect to the Audit Committee and the Appointments and Remunerations Committee, when circumstances so dictate, the Board of Directors may create within the Board a Strategy and Investments Committee, as well as one or more Delegate Committees to address other issues falling within its remit or other specific matters.

Regulation

the Board of Directors shall appoint its members, decide on its organization and procedure, and approve its Regulations when applicable.

ARTICLE TWENTY-SEVEN

Allocation of Results The allocation of results for the financial year by the General Meeting shall be carried out as follows:

a) Those amounts forming by law the mandatory reserve funds – specific, corporate etc.

b) Any surplus, in accordance with the resolutions adopted by the General Meeting of Shareholders.

The Board of Directors may decide to distribute interim dividends, subject to the restrictions and the requirements of the **Business Capital** Companies Act.

ARTICLE TWENTY-EIGHT

Dissolution

The Company shall be dissolved for those reasons established in the **Business Capital** Companies Act.

ARTICLE TWENTY-NINE

Liquidation

The rules for the dissolution, appointment of liquidators and the liquidation of the company shall be established by the General Shareholders Meeting in accordance with the provisions of the **Business Capital** Companies Act and the Companies Registry Regulations.

FOUR.- Review and approval, if appropriate, of the amendment of article 9 of the By-laws.

To approve the amendment of article 9 of the By-laws, which shall hereinafter read as follows:

ARTICLE NINE

**Subscription
Rights**

In capital increases involving the issue of new shares, either ordinary or preferred, **under consideration of cash**, as well as in the issue of convertible bonds, existing shareholders ~~and holders of convertible bonds~~ may request, within the time granted for such purpose by the Board of Directors of the Company, and in accordance with the **Business Capital** Companies Act, the right to subscribe shares or convertible bonds in the new issue proportionate to the number of nominal shares that they own or that would belong to holders of convertible bonds if they were to exercise their right to conversion.

**Withdrawal
of
Preemptive
Rights**

When so dictated by the Company's interests, and provided that the provisions of the **Business Capital** Companies Act are respected, when deciding upon the capital increase, the General Meeting may resolve to totally or partially withdraw the right to preemptive subscription.

**Non-voting
Shares**

In share capital increases, the Company may resolve to issue non-voting shares, subject to the rules and restrictions set forth in the **Business Capital** Companies Act.

FIVE.- Review and approval, if appropriate, of the amendment of articles 24 bis and 24 quarter 9 of the By-laws.

To approve the amendment of articles 24 bis and 24 quarter of the By-laws, which shall hereinafter read as follows:

ARTICLE TWENTY-FOUR BIS

Members

The Board of Directors shall appoint the members of the Audit committee from among its members, the majority of which should be non-executive external, independent or proprietary Directors. The composition of the Audit committee shall be analogous to the composition of the Board.

In any event, at least one of the members of the Audit committee shall be independent Director and will be appointed in consideration of his or her knowledge and experience in accountancy and/or audit.

The Board of Directors shall decide on the dismissal of members of the Audit committee, and must indicate the causes for such action.

ARTICLE TWENTY-FOUR QUARTER

Functions of the Audit Committee Without prejudice to any others that may legally fall within its remit, the Audit Committee shall have the following duties and functions:

I) With respect to the information and internal control systems, supervise the internal audit services and be informed of the financial information processes and internal control systems of the company, including the following functions:

a) Oversee the preparation process for and integrity of the financial information relating to the company, and where applicable, to the group, checking compliance with the applicable statutory requirements and the correct consolidation of accounts and application of accounting rules.

b) Periodically review the internal control and risk management systems so that the main risks may be identified and appropriately reported.

c) Ensure the independence and efficiency of the company's internal auditing.

d) Discuss with the auditors or audit firm the relevant weaknesses of the internal control system identified in the course of the audit.

e) Establish a mechanism allowing employees to report on a confidential basis any irregularities of potential significance in financial and accounting terms that they may have noted at the company.

II) With respect to the company's external auditors:

a) Submit to the Board of Directors, for subsequent referral to the General Shareholders Meeting, any proposals for the selection, appointment, re-election and replacement of the external auditors, as well as the terms and conditions for their engagement.

b) Receive information on a regular basis from the external auditors on the auditing plan and results for the year audited, and check that senior management takes into account their recommendations.

c) Ensure the independence of the external auditors, enabling to such end: (i) that the company notifies the National Securities Market Commission, or the entity which substitutes it in its functions, by means of notice of the

relevant significant event, of the change in auditor, and where applicable, includes a statement with respect to the possible existence of disagreement with the removed auditor; (ii) that the necessary measures are taken for ensuring that the company and the auditors respect the applicable regulations governing the performance of services other than auditing services, the restrictions on the merger of the auditors' business, and in general, the rules established for ensuring the independence of the auditors; and (iii) in the event of resignation of the external auditor, that circumstances having led to such resignation are examined.

d) Encourage the assumption by the auditors of the group of companies of the auditing obligations of the companies forming such group.

e) In general, be informed of all relations with the external auditors and serve as a liaison therewith, so that, in particular, information may be received regarding those issues that may jeopardize the independence of such auditors and with respect to any other matters related to the auditing process, as well as any other notices stipulated in legislation on auditing and in the technical standards on auditing. **In any event, the Audit Committee shall receive every year from the auditors or the audit firms the written confirmation of their independence with regard to the entity or entities connected to the latter, both directly or indirectly , as well as the information concerning any kind of additional services performed by the mentioned auditors, audit firms or individuals or entities connected thereto, in accordance with the Spanish Audit Act 19/1988 (Ley 19/1988, de 12 de julio, de Auditoría de Cuentas).**

III) With respect to corporate governance:

a) Oversee compliance with the company's internal codes of conducts and the corporate governance rules established by the company from time to time.

b) Oversee the preparation and submission process of regulated financial information.

IV) With respect to reporting to the company's management bodies:

a) Report in the General Shareholders Meeting regarding those matters raised therein by the shareholders concerning the areas of its remit.

b) Report to the Board of Directors, prior to the its adoption of the relevant resolutions, on the following matters: (i) the financial

information that the company, as a listed company, must publish on a periodic basis; (ii) the creation or acquisition of holdings in companies incorporated for a special purpose or domiciled in tax havens, as well as any other transactions or operations of a similar nature, which on account of their complexity may hinder the transparency of the group; (iii) affiliate transactions.

Minutes shall be drawn up of the Audit Committee, a copy of which shall be sent to all members of the Board of Directors.

Through its Chairman, the Committee shall periodically report to the Board of Directors on its activities and shall propose those measures that it deems fit within the scope of its remit.

SIX.-. Review and approval, if appropriate, of the amendment of articles 2 (Interpretation), 3 (Amendment), 4 (Compliance), 11 (Powers of the Shareholders in relation to the Agenda), 12 (Shareholders' Right to Information) and 15 (Public Request for Representation) of the Regulation of the Company General Shareholders Meetings.

To approve the amendment of the following articles of the Regulations governing Company General Shareholders Meetings: 2 (Interpretation), 3 (Amendment), 4 (Compliance), 11 (Powers of the Shareholders in relation to the Agenda), 12 (Shareholders' Right to Information) and 15 (Public Request for Representation), which shall hereinafter read as follows:

“Article 2.- Interpretation.

*Any doubts that may arise as to the interpretation and application of this Regulation shall be settled in the way that best respects the provisions of the **Business Capital Companies Act, the provisions governing listed companies in the Securities Market Act,** and the provisions of the Company's By-laws, considering the nature and purpose of such companies, and any other recommendations on corporate governance applicable to listed companies given hereinafter by authorities or bodies acting as market regulators. All of the above shall also take into account the prevailing circumstances of the Company and the practical and reasonable viability of the application of this Regulation. In particular, and in accordance with the above, on no account may this Regulation be construed so as to limit the rights conferred on the shareholders by law and by the Company's By-laws. Any possible disputes that may arise as to the application of this Regulation and of any other rules on corporate governance must be settled in such a way as to be favorable to the Regulation, provided that this best achieves its intended purpose. The Committee of the General Meeting shall be responsible for settling any doubts of interpretation that may result from the application of this Regulation at each General Meeting.*

Article 3.- Amendment.

*This Regulation may be amended by resolution of the General Shareholders Meeting, subject to the quorum requirements set forth in article 102 193 of the **Business Capital** Companies Act.*

Notwithstanding the above, all proposals to amend this Regulation made by the Board of Directors must be previously reviewed by the Audit Committee.

Article 4.- Compliance.

*The Audit Committee shall be responsible for monitoring compliance with this Regulation, appraising and submitting the proposals for its amendment made by the shareholders, and monitoring its compliance at all times with the **Business Capital** Companies Act, the Company By-laws, and the codes and recommendations on corporate governance which may be drawn up in the future, reporting for this purpose to the Board of Directors regarding those proposals for the amendment of this Regulation that it deems necessary or appropriate.*

Article 11.- Powers of the shareholders with respect to the agenda.

Any shareholder may submit to the Company, via electronic mail or by means of a letter addressed to its registered office, any suggestions for the inclusion of new items in the agenda of the General Meeting and clarification of the verbatim content of such items. The requests must be made clearly and accurately and must indicate the name of the shareholder and the number of shares held by them. Requests may not be made by proxy. The provisions of this article shall be construed without prejudice to the provisions of the following article on shareholders' right to information with respect to clarifications of the items included on the agenda. Depending on the number of suggestions made and the degree of representation provided by the requesting parties, the Board of Directors may, where applicable, make use of such suggestions when it deems that they effectively contribute to improving the information available to shareholders, either in the agenda that is finally published, in the information included on the website relating to the General Meeting, or in the information or clarifications provided for the General Meeting. In any event, irrespective of its view of the request or suggestion or for the purpose of giving its opinion, the Board may request that the shareholder provide proof of their shareholder status and the number of shares represented by them. Unless the issues raised are of an especially complex nature or relate to a significant amount, the powers of the Board of Directors established in this article shall be exercised by the person occupying the position, from time to time, of the Chairman of the Board or Managing Director, jointly with the Chairman of the Audit Committee. The aforementioned persons shall also decide jointly on the submission of the matter to the Board of Directors when in their opinion due prudence so advises.

*In accordance with the provisions of the **Business Capital** Companies Act and article thirteen of the Company's By-laws, the shareholders representing the minimum percentage shareholding established for this purpose in the **Business Capital** Companies Act, may request that an additional notice of a General Meeting be published, including one or more items on the agenda, in which case the provisions of the **Business Capital** Companies Act shall apply. In the event of*

exercise of such right by shareholders with a shareholding below the legally established minimum, the Board of Directors shall freely decide whether or not to grant such request.

Article 12.- Shareholders' Right to information.

*The Board of Directors shall fulfill its reporting obligations set forth in the **Business Capital Companies Act**, in particular, through the Company's website, although shareholders may request that such information be provided in writing, in accordance with the applicable law.*

When the matter concerned is of general interest and is not detrimental to the Company's interests, the Board of Directors shall request that the report or clarification be posted on the Company's website before the date the Meeting is to be held and within the maximum possible time limit.

Requests for information or clarifications under the provisions of this article must be made clearly and accurately, and must state the shareholder's name and the number of shares held. Requests made by proxy shall not be accepted. The Board of Directors may at any time require the shareholder to provide proof of his/her status as shareholder.

The Board of Directors shall not meet the requests for information or clarification when, in the Chairman's opinion, disclosure of the requested information may jeopardize the Company's interests, except when the request was made or backed by shareholders representing at least one-fourth of the share capital. When the request for information or clarification was made by shareholders representing more than five percent of the share capital, the Board of Directors must justify its decision not to provide the information in writing, and such document must be made available to the requesting party or parties at the General Meeting, before discussion of the agenda and voting.

*Irrespective of the means through which it is exercised, the right of shareholders to information, includes any information available to the public, provided by the Company to the National Securities Market Commission (CNMV), in accordance with the provisions of the **Business Capital Companies Act**.*

Article 15.- Proxy solicitation.

*In the event of proxy solicitation, the provisions of the **Business Capital Companies Act** shall apply, and where applicable, the provisions for listed companies set forth in the Securities Markets Act will be applicable. The individuals or companies making such solicitation must submit the document containing the proxy to the address of each of the shareholders concerned, together with a letter explaining the identity of the requesting party, justifying their status and the reasons and purpose of the request.*

The proxy must indicate the name of the representative, the agenda, the request for instructions to vote, and an indication of how the proxy holder shall vote in the event of not providing accurate instructions. The proxy must be signed by the shareholder, clearly indicating the date.

Unless expressly indicated otherwise, in the event that the proxy holder is affected by a conflict of interest, the following shall also be deemed to have been appointed as proxy holders: jointly and severally, the Chairman of the General Shareholders Meeting, and if he/she is affected by a conflict of interest, the Secretary of the General Shareholders Meeting, and if he/she is affected by a conflict of interest, the Chairman of the Audit Committee. When the proxy is given to the company without express identification of the proxy holder, the above mentioned persons shall be deemed to have been appointed jointly and severally, and the rule set forth above shall apply.

In the event that no voting instructions are provided with respect to the items included on the agenda, unless indicated otherwise in the proxy, it shall be understood that the proxy holder shall vote in favor of the proposals submitted by the Board of Directors.

The proxy may also include any other items that, although not included in the agenda, may be discussed in the meeting, when so permitted by the law. In such case, the foregoing shall also apply, although when no instructions are provided, it shall be understood that the proxy holder shall vote against those proposals”.

SEVEN.- Review and approval, if appropriate, of the amendment of article 6 (Company's website) and the inclusion of a new article 6 bis (Operation of the Electronic Shareholders Forum) of the Regulation of the Company General Shareholders Meetings.

To approve the amendment of article 6 (Company's website) and the inclusion of a new article 6 bis (Operation of the Electronic Shareholders Forum) of the Regulation of the Company General Shareholders Meeting, which shall hereinafter read as follows:

“Article 6.- Company's website.

The Company's website shall contain a section with the relevant information on each General Shareholders Meeting as set forth in this Regulation, which shall be updated appropriately to ensure that shareholders are provided with accurate information until the General Shareholders Meeting is held.

The Company's website shall also contain an Electronic Shareholders Forum which shall be accessible, with the due guarantees, by the individual shareholders as well as by the voluntary associations that the former may create, with the purpose of facilitating their communication prior to the General Shareholders Meetings. Proposals to be included as an additional notice of a General Meeting, requests for supporting such proposals, initiatives in order to reach the

required percentage to exercise a right held by the minority shareholders pursuant to the law, as well as proxy offers or solicitations, may all be published in the Forum.

Notwithstanding any other information that must be included on the company website, under the applicable regulations, the Company's website must contain, at least, the following:

- a) the documents of the General Shareholders Meetings, whether ordinary or extraordinary, providing information on the agenda thereof, the proposals submitted by the Board of Directors, and any other relevant information which may be required by Shareholders in order to cast their vote;*
- b) Information on the General Shareholders Meetings held, i.e., regarding the composition of the General Shareholders Meeting held, the resolutions adopted, and the number and direction of votes cast for each of the proposals on the agenda.*
- c) The mechanisms for communication between the company and the shareholders, and the appropriate instructions for exercise by shareholders of their right to information, specifying the postal and electronic mail addresses for notices in this respect by shareholders.*
- d) The means and procedure for granting proxies for the General Shareholders Meeting.*
- e) The means and procedure for the remote exercise of voting rights, in accordance with the rules implementing such rights and the provisions of the Company's By-laws and this Regulation, including, where applicable, the forms to be used for recording attendance and the exercise of voting rights by electronic means in the General Shareholders Meetings.*

Provided that the Company's technological resources so permit, the website is intended as a platform for shareholders, where they may make the observations and comments that they deem appropriate with respect to the information on corporate governance contained therein.

As part of its cost-savings policy, the Company shall provide the most appropriate resources for ensuring the efficiency of its website and the broadest disclosure and processing of the observations and comments made by the shareholders. Likewise, the Company shall establish appropriate mechanisms and guarantees to ensure, in accordance with the applicable legislation and depending on the available technology, that the notices received by means of its website have been sent by persons deemed to be legitimate shareholders at the time of their receipt.

Article 6 bis.- Operation of the Electronic Shareholders Forum.

1. Registration of users.

- a) Access and use of Forum is exclusively reserved for (i) Company Shareholders and (ii) the voluntary shareholders associations validly incorporated and registered with the special registry made available by the National Securities Commission (“Comisión Nacional del Mercado de Valores”) (hereinafter, the “Users”).*
- b) All persons interested in accessing and using the Forum shall follow the instructions and provide the information requested during the registration process in the spaces provided on the Company web site.*
- c) Once the Company verifies the identity and shareholder status of the private individual or voluntary association, it will proceed to register such person or association as a User with the relevant passwords to enter the Forum previously introduced by the User.*
- d) Access and use of the Forum by Users is conditioned to an individual being a Company Shareholder or an association being duly incorporated and registered, in accordance with applicable legislation.*
- e) Should the Company have any reasonable doubts at any time as to the compliance with such conditions by a particular User, it may request proof that the conditions have been met. At its sole discretion, the Company may suspend or de-register a User that fails to comply with the aforementioned conditions.*

2. Notices.

a) Type.

Users may post the following notices and enquiries in text format on the Forum, provided they comply with these Regulations (hereinafter, “Notices”):

- Proposals that are intended as a supplement to the agenda announced together with the call to a General Shareholders Meeting.*
- Requests by other shareholders to adhere to the proposals indicated in the preceding section.*
- Initiatives by shareholders intended to obtain the requested percentage of votes to exercise a minority right set forth by law.*
- Offers or solicitations for proxy.*

b) Publication of Notices.

(i) Requests for publication of Notices must be made using the forms available on the Forum.

(ii) By posting a Notice, Users understand that they are responsible and state and guarantee that the Notice complies with the law and these Regulations and possess the authorisation and permits necessary to do so, without violating the rights of any other third party. In all cases, Users will be solely responsible for the Notices posted on the Forum.

(iii) The Company reserves the right to check compliance of Notices with current legislation and these Regulations and may refuse to post a Notice on the Forum or withdraw it in the event it is considered, in good faith, as unlawful or detrimental to third party assets or rights and may therefore involve damages.

3. Restrictions on the Use of the Forum.

All Users shall use the Forum in a lawful way, in accordance with applicable legislation, these Regulations, moral values, generally accepted good practice and public order.

4. Scope of the Forum.

a) Notices posted or published on the Forum shall not be understood as a notice issued by the Company for any purpose and, in particular, for the purposes of exercising a right of an individual or collective User.

b) All the rights and faculties a User may wish to exercise must be done so according to legal procedure, without the Forum being a valid means for such purposes.

5. Passwords.

In order to access and use the Forum, Users shall employ the passwords introduced by them during the registration process. Users shall be responsible at all times for the custody of their passwords and therefore assume liability for any damage that may arise from the incorrect use, assignment, disclosure or loss thereof.

6. Exclusion of Guarantees and Liability.

a) The Company shall in no event be liable for any damages that may arise from the non-availability of access to the Forum.

b) The Company shall in no event be liable for damages of any kind that may arise from the presence of a virus or other element that may cause alterations to the physical or logic User systems or the electronic documents or files stored on the system.

The Company does not guarantee that unauthorised third parties will not be aware of the Forum content and the conditions, features and circumstances in which Users visit the Forum. As a result, the Company shall not be liable whatsoever for any damages that may arise from unauthorised access to the Forum”.

Madrid, February 25, 2011

Pedro Ballvé Lantero
Chairman

Alfredo Sanfeliz Mezquita
Secretary of the Board of Directors