CAMPOFRIO FOOD GROUP

UNAUDITED INTERIM SELECTED
CONSOLIDATED FINANCIAL INFORMATION
SIX MONTH PERIOD ENDED 30th JUNE 2011

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INTRODUCTION

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

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

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

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

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

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

CONSOLIDATED INCOME STATEMENT

Campofrio Food Group
(*In Thousands of Euros*)

	Six month ended June 30,			
	2011		**2010**	
	Actual (unaudited)	% of total oper. revenues	**Actual (unaudited)**	% of total oper. revenues
Operating revenues				
Net sales and services	938,648	96.9%	863,742	96.5%
Increase in inventories of finished goods and work in progress	23,382	2.4%	28,047	3.1%
Capitalized expenses on Company's work on assets	1,990	0.2%	86	0.0%
Other operating revenue	4,726	0.5%	2,844	0.3%
Total operating revenues	968,746	100.0%	894,719	100.0%
Operating expenses				
Consumption of goods and other external charges	(533,756)	(55.1%)	(476,500)	(53.3%)
Employee benefits expense	(184,957)	(19.1%)	(167,144)	(18.7%)
Depreciation and amortization	(31,011)	(3.2%)	(27,509)	(3.1%)
Other operating expenses	(184,314)	(19.0%)	(178,043)	(19.9%)
Changes in trade provisions	(1,633)	(0.2%)	(247)	(0.0%)
Total operating expenses	(935,671)	(96.6%)	(849,443)	(94.9%)
Impairment of assets			-	
Operating profit	**33,075**	**3.4%**	**45,276**	**5.1%**
Financial expenses, net	(25,762)	(2.7%)	(28,317)	(3.2%)
Other results	(1,940)	(0.2%)	(234)	(0.0%)
Profit before tax	**5,373**	**0.6%**	**16,725**	**1.9%**
Income taxes	(1,682)	(0.2%)	(2,734)	(0.3%)
Profit for the period from continuing operations	**3,691**	**0.4%**	**13,991**	**1.6%**
Profit & (Loss) after tax for the period from discontinued operations	(195)	(0.0%)	(3,152)	(0.4%)
Profit for the period	**3,496**	**0.4%**	**10,839**	**1.2%**
Non-controlling interests			116	0.0%
Attributable to equity holders of the parent company	3,496	0.4%	10,723	1.2%

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

Campofrio Food Group
(*In Thousands of Euros*)

	Three month ended June 30,			
	2011		**2010**	
	Actual (unaudited)	% of total oper. revenues	**Actual (unaudited)**	% of total oper. revenues
Operating revenues				
Net sales and services	514,870	99.0%	439,737	98.0%
Increase in inventories of finished goods and work in progress	1,923	0.4%	8,356	1.9%
Capitalized expenses on Company's work on assets	1,937	0.4%	44	0.0%
Other operating revenue	1,222	0.2%	559	0.1%
Total operating revenues	519,952	100.0%	448,696	100.0%
Operating expenses				
Consumption of goods and other external charges	(287,837)	(55.4%)	(239,102)	(53.3%)
Employee benefits expense	(95,566)	(18.4%)	(79,253)	(17.7%)
Depreciation and amortization	(16,988)	(3.3%)	(13,833)	(3.1%)
Other operating expenses	(101,416)	(19.5%)	(91,489)	(20.4%)
Changes in trade provisions	(1,118)	(0.2%)	10	0.0%
Total operating expenses	(502,925)	(96.7%)	(423,667)	(94.4%)
Impairment of assets	-		-	
Operating profit	**17,027**	**3.3%**	**25,029**	**5.6%**
Financial expenses, net	(14,463)	(2.8%)	(13,631)	(3.0%)
Other results	(950)	(0.2%)	(234)	(0.1%)
Profit before tax	**1,614**	**0.3%**	**11,164**	**2.5%**
Income taxes	(593)	(0.1%)	(1,292)	(0.3%)
Profit for the period from continuing operations	**1,021**	**0.2%**	**9,872**	**2.2%**
Profit & (Loss) after tax for the period from discontinued operations	(276)	(0.1%)	(2,968)	(0.7%)
Profit for the period	**745**	**0.1%**	**6,904**	**1.5%**
Non-controlling interests	-		37	0.0%
Attributable to equity holders of the parent company	745	0.1%	6,867	1.5%

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Campofrio Food Group
(*In Thousands of Euros*)

	Consolidated statement of financial position at,	
	June 30, 2011	**June 30, 2010**
	Actual (unaudited)	**Actual (unaudited)**
ASSETS		
Property, plant and equipment	631,943	533,190
Goodwill	457,937	417,857
Other intangible assets	265,029	183,841
Non-current financial assets	6,488	6,233
Investments accounted for under the equity method	28,527	938
Deferred tax assets	81,745	69,568
Other non-current assets	160	156
Total non-current assets	**1,471,829**	**1,211,783**
Inventories	369,580	304,161
Trade and other receivables	214,406	185,353
Other current financial assets	1,285	1,176
Other current assets	6,819	6,021
Cash and cash equivalents	119,092	167,272
Total current assets	**711,182**	**663,983**
Assets classified as held for sale and discontinued operations	**777**	**20,566**
TOTAL ASSETS	**2,183,788**	**1,896,332**
EQUITY AND LIABILITES		
Equity attributable to equity holders of the parent	637,510	616,237
Equity attributable to minority interests		5,815
Equity	**637,510**	**622,052**
Debentures	487,229	484,066
Interest-bearing loans and borrowings	100,177	-
Other financial liabilities	22,223	60,956
Deferred tax liabilities	172,787	127,727
Other non-current liabilities	18,811	18,577
Provisions	69,007	49,929
Total non-current liabilities	**870,234**	**741,255**
Debentures	6,875	6,990
Interest-bearing loans and borrowings	11,656	6,321
Trade and other payables	568,683	450,732
Other financial liabilities	1,643	556
Creditor for income tax	2,097	958
Provisions	3,816	6,218
Other current liabilities	81,270	55,882
Total current liabilities	**676,040**	**527,657**
Liabilities associated to operations on sale or discontinued	**4**	**5,368**
TOTAL EQUITY AND LIABILITIES	**2,183,788**	**1,896,332**

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

CONSOLIDATED CASH FLOW STATEMENT

Campofrio Food Group
(*In Thousands of Euros*)

	Six month ended June 30, 2011 Actual (unaudited)	Six month ended June 30, 2010 Actual (unaudited)
Operating flows before changes in working capital	**66,516**	**72,768**
Changes in working capital	28,990	8,095
Cash flows from operating activities	**95,506**	**80,863**
Net interest expenses	(23,737)	(23,911)
Provision and pensions payment	(4,186)	(7,986)
Income tax paid	(5,372)	(2,741)
Other collection and payments	4,280	
Net cash flows from operating activities	**66,491**	**46,225**
Investments in property, plant and equipment	(22,482)	(12,043)
Purchase of non-controlling interest	(5,755)	(3,163)
Investment in Group companies	(153,061)	
Other investment related cash flows, net	3,569	(51)
Net cash flows from investing activities	**(177,729)**	**(15,257)**
Changes in financial assets and liabilities	61,039	(17,048)
Repayments of other debts		(3,000)
Purchase of treasury shares and Dividend payments	17	(2,353)
Net cash flows from financing activities	**61,056**	**(22,401)**
Net increase/(decrease) in cash and cash equivalents	(50,182)	8,567
Cash and cash equivalents at beginning of period	169,274	160,159
Cash and cash equivalents at end of period	**119,092**	**168,726**

	Three month ended June 30, 2011 Actual (Unaudited)	Three month ended June 30, 2010 Actual (Unaudited)
Operating flows before changes in working capital	**34,297**	**36,425**
Changes in working capital	27,601	18,338
Cash flows from operating activities	**61,898**	**54,763**
Net interest expenses	(23,369)	(19,301)
Provision and pensions payment	(2,127)	(3,099)
Income tax paid	(5,181)	(860)
Other collection and payments	(227)	-
Net cash flows from operating activities	**30,994**	**31,503**
Investments in property, plant and equipment	(16,315)	(6,683)
Purchase of non-controlling interest	-	-
Investment in Group companies	(153,061)	-
Other investment related cash flows, net	848	(86)
Net cash flows from investing activities	**(168,528)**	**(6,769)**
Changes in financial liabilities	61,878	(15,355)
Repayments of other debts	-	-
Dividend cash payments and own share transactions	67	(1,984)
Net cash flows from financing activities	**61,945**	**(17,339)**
Net increase/(decrease) in cash and cash equivalents	(75,589)	7,395
Cash and cash equivalents at beginning of period	194,681	161,331
Cash and cash equivalents at end of period	**119,092**	**168,726**

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

OTHER SELECTED CONSOLIDATED FINANCIAL INFORMATION

Campofrio Food Group
(*In Thousands of Euros*)

Conciliation from Profit for the period to EBITDA normalised	**Six month ended June 30,**	
	2011	**2010**
	Actual (unaudited)	**Actual (unaudited)**
Profit for the period Attributable to equity holders of the parent company	3,496	10,723
Profit for the period Attributable to Non-controlling interests	-	116
Profit & (Loss) after tax for the period from discontinued operations	195	3,152
Income taxes	1,682	2,734
Other results	1,940	234
Financial expenses, net	25,762	28,317
Impairment of assets	-	-
Depreciation and amortization	31,011	27,509
EBITDA	**64,086**	**72,785**
Total Adjustments	806	125
EBITDA (normalised)	**64,892**	**72,910**

Conciliation from Profit for the period to EBITDA normalised	**Three month ended June 30,**	
	2011	**2010**
	Actual (unaudited)	**Actual (unaudited)**
Profit for the period Attributable to equity holders of the parent company	745	6.867
Profit for the period Attributable to Non-controlling interests		37
Profit & (Loss) after tax for the period from discontinued operations	276	2.968
Income taxes	593	1.292
Other results	950	234
Financial expenses, net	14.463	13.631
Impairment of assets		
Depreciation and amortization	16.988	13.833
EBITDA	**34.015**	**38.862**
Total Adjustments	869	125
EBITDA (normalised)	**34.884**	**38.987**

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

EXPLANATORY NOTES TO THE UNAUDITED INTERIM SELECTED CONSOLIDATED FINANCIAL INFORMATION

Corporate Information

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

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

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

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

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

On January 13, 2011, the Parent signed a share purchase-sale agreement with the entities holding 100% of the share capital of the Italian company Cesare Fiorucci S.p.A, which is the parent of several companies, all of which make up the "Cesare Fiorucci Group" (“Fiorucci”). The transaction was subject to meeting certain suspensive conditions, which included, amongst others, approval or failure to oppose the agreement by the Competition Authorities. Finally, on April 4, 2011 the transaction was signed by the parties after obtaining authorization from the Competition Authorities for its execution and after fulfilling agreed conditions.

Basis of preparation

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

In any case, this selected financial information here presented and the explanatory notes should be read in conjunction with the Campofrío Food Group, S.A. and subsidiaries Consolidated Financial Statements and Consolidated Management Report for the year ended December 31, 2010 and December 31, 2009 and Campofrio Food Group, S.A. and subsidiaries Non Audited Interim Condensed Consolidated Financial Statements for the six month period ended June 30, 2011.

Critical Accounting Policies

Our consolidated financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (“IFRS-EU”) in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council.

The discussion and analysis of our historical results of operations and financial conditions are based on our consolidated financial statements, which have been prepared in accordance with IFRS-EU. The preparation of our consolidated financial statements requires us to apply accounting methods and policies that are based on difficult or subjective judgments, estimates based on past experience and assumptions determined to be reasonable and realistic based on the related circumstances. The application of these estimates and assumptions affects the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates given the uncertainty surrounding the assumptions and conditions upon which the estimates are based.

Detailed information regarding the Company’s accounting policies is provided in Note 2 to our consolidated financial statements for the year ended December 31, 2010.

Comparison of information

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

During 2011, as stated in “Corporate Information” above, the Group acquired Cesare Fiorucci Group. The contribution of Fiorucci is reflected only in three month period ended June 30, 2011 Consolidated Income Statement and Consolidated Cash-flow Statement and in the Consolidated Statement of Financial Position as of June 30, 2011. Due to the complexity to elaborate full comparable information and as it is not requested under IFRS, no restatements has been done to 2010 financial information in this document presented. Nevertheless, where applicable, the comparison is made disaggregating Fiorucci Group 2011 Income Statement from the Group Consolidated Income Statement.

Non-IFRS-EU Financial Measures

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

Discontinued Operations

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

The remaining activities of the Group in Romania carried out by the subsidiaries Degaro S.R.L., S.C. Camporom Productie, S.R.L. and total Meat Marketing, S.L., which are primarily engaged in the breeding and fattening of pigs, have been classified as discontinued operations, as the Group plans to terminate their activities (see Note 15 in Campofrio Food Group, S.A. and Subsidiaries Consolidated Financial Statements for the year ended December 31, 2010). On June 29, 2011 Degaro S.R.L. Tulcea was sold; therefore, all the related assets and liabilities have been derecognized from the June 30, 2011 statement of financial position.

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.
- Others: includes mainly corporate activities

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

Net Financial Debt, Liquidity and Capital Resources

The following chart sets forth the Company's debt position as of June 30, 2011 and June 30, 2010.

NET FINANCIAL DEBT	**Six month ended June 30,**	
	2011	**2010**
Non-current financial debt		
Debentures	487,229	484,066
Interest-bearing loans and borrowings	100,177	-
Other financial liabilities	22,223	60,956
Current financial debt		
Debentures	6,875	6,990
Interest-bearing loans and borrowings	11,656	6,321
Other financial liabilities	1,643	556
Current financial assets		
Other current financial assets	(1,285)	(1,176)
Cash and cash equivalents	(119,092)	(167,272)
Total Net Financial Debt	**509,426**	**390,441**

Our present debt structure consists of the Notes issued in 2009 which account for € 487.2 million and a Senior Term Loan Facility amounting to €100 million drawn down in April 2011 to partially refinance the outstanding debt of Cesare Fiorucci S.p.A. our recently acquired Italian subsidiary acquisition, while the rest of its debt and the equity payment were funded out of our cash. As a result, our total debt is practically long-term. Besides the Notes and the new bank financing, the only remaining financial liabilities are basically the € 18.5 million derivatives which we contracted initially to hedge our former USPP Notes. In the year 2009 after refinancing our debt, the USPP Notes were repaid and those derivatives were classified as held for trading. (See "Description of certain Financing Arrangements" in the Notes Offering Memorandum (OM)). During 2010 we proceeded to unwind the rest of the derivatives worth €53 million that were outstanding at the end of 2009. The rest of the debt items (i.e. leasing …) are of negligible value in the context of the Company balance sheet.

Net financial debt of € 509.4 million as of June 30, 2011 is higher than at the end of June 2010 due to the acquisition in April 2011 of our new subsidiary in Italy in terms of the new bank debt and the invested cash as referred above. Nonetheless, the financial effort made during the quarter has been partially mitigated due to the positive cash flow contribution stemming from EBITDA generated over the period, combined with Working Capital improvements and enhanced cash management.

The Company's liquidity position remained very solid and amounted to € 358 million at the end of June 2011, consisting of € 119 million in cash and cash equivalents and € 239 million of fully available bank lines. In addition, Fiorucci is contributing €23 million of uncommitted bank lines. The Company keeps focused on enhancing its cash management and working capital operations and it has put in place a cash pooling system at corporate level, which is operative since November 2010.

The following tables set forth the situation of the Company's two main financing sources as of June 30, 2011 and June 30, 2010.

Debentures	**Six month ended June 30,**	
	2011	**2010**
Non-current debentures	487,229	484,066
Current debentures	6,875	6,990
Principal		
Accrued interest	6,875	6,990
Total debentures	**494,104**	**491,056**

Interest-bearing loans and borrowings	**Six month ended June 30,**	
	2011	**2010**
Bank loans and credit facilities	107,863	3,270
Credit lines	107,863	3,270
Multicurrency credit line		
Discounted bills payable	1,875	2,079
Interest payable	2,095	972
Total	**111,833**	**6,321**

The following table sets forth the situation of the Company's current and non-current other financial liabilities as of June 30, 2011 and June 30, 2010.

Other financial liabilities	**Period ended Jun 30, 2011**			**Period ended Jun 30, 2010**		
	Non-current	**Current**	**Total**	**Non-current**	**Current**	**Total**
Financial leases	1,712	917	2,629	1,470	556	2,026
Other financial liabilities	2,487	726	3,213	2,342	-	2,342
Derivatives	18,024		18,024	57,144	-	57,144
Total	**22,223**	**1,643**	**23,866**	**60,956**	**556**	**61,512**

The following table sets forth the situation of the Company's financial derivatives as of June 30, 2011 and 2010.

Fair value situation	Fair value at		June 2011 Outstanding notional principal			
	06/30/11	06/30/10	Notional	2011	2013	2015
Cash flow hedge	512	-417	7,336	5,955	2,381	
Derivatives held for trading						
Swaps	-15,391	-23,318	73,767			73,767
Reverse swaps	-3,145	-33,409	54,164			54,164
Total	**-18,024**	**-57,144**				

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

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Campofrio Food Group is the largest European producer of processed meat products based on net sales. Its products, which are sold under well established and leading brands, cover a broad range of processed meat categories, including cooked ham, dry sausages, dry ham, hot dogs, poultry products, cold cuts and pâtés. The Company was founded in 1944 in Burgos, Spain and have expanded to achieve a direct presence in eight European countries, Spain, France, Portugal, the Netherlands, Belgium, Italy, Romania and Germany, and sales in over 80 countries worldwide through independent distributors. The Company's market leading brands include *Campofrío* and *Navidul* in Spain, *Aoste*, *Justin Bridou* and *Cochonou* in France, *Nobre* and *Campofrio* in Portugal, *Marcassou* and *Aoste* in Belgium and *Fiorucci* in Italy. For the six month period ended June 30, 2011, the Company had operating revenues and EBITDA of €938.6 million and €64.1 million, respectively. It generates substantially all of its revenues in Europe. The Company is headquartered in Madrid, Spain and its shares have been listed on the Madrid stock exchange since 1988 and on the Barcelona stock exchange since 1990, and are now traded under the symbol "CFG". As of June 30, 2011, the Company had a market capitalization of €731 million.

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

Factors Affecting Our Results of Operations

Raw Material Prices

Pig carcass average price	Six month ended June 30, 2009	2010 (price in €/kg)	2011	% Increase (decrease) over prior period 2010 vs. 2009	2011 vs. 2010
Spain Mercolleida	1.39	1.42	1.58	2.6%	10.8%
France MPB	1.30	1.26	1.44	-3.0%	13.6%
Netherlands Monfoort	1.35	1.33	1.44	-2.1%	8.4%
Belgium Danis	1.29	1.24	1.33	-3.5%	6.7%
Germany AIM	1.42	1.38	1.47	-2.4%	6.6%
Denmark DC	1.19	1.22	1.32	2.6%	8.3%

During the first semester of 2011, EU pork meat production increased by 1.9%. Slaughter activity rose in Germany (+1.6%), Denmark (+4.1%), the Netherlands (+3.8%) and Spain (+1.1%). It was offset partially by lower production in France (-1.4%), Italy (-2.7%) and Eastern Europe. From January to May 2011, EU27 pork exports to third countries increased to a record new level, due to a combination of robust demand from Asia (Japan, South Korea, China and the Philippines), and record pork prices in the United States. Year to date, they have increased +20% above the record levels of 2010. EU27 is the main export competitor to the USA in international markets (Russia, China, Japan, and Korea). EU27 was very well positioned from a price perspective and benefiting from those high prices. As a result, demand for EU pork meat increased, thus further rising local prices.

The pig carcass price evolution in the main producer countries reflected heterogeneous supply and demand conditions. The carcass quotations increased significantly in France and Spain (+13.6% and +10.8% respectively). In France, several initiatives increased the use of VPF ("Viande de Porc France", French origin pork), rising local demand and pushing prices significantly upward, on hams in particular. They rose to a lesser extent in Germany (+6.6%), Belgium (+6.7%), and The Netherlands (+8.4%), a consequence of higher local production but also the dioxin crisis in Germany, which pressured prices downwards during the month of January.

On Monday 24 January, an “open-ended” private storage initiative was announced by the European Commission (Pig Management Committee) to support the pig markets in Europe following the dioxin crisis in Germany. By open-ended, it meant that the quantities were left open to be filled by the various EU27 countries. The popular program has reached 144,468 metric tons when the approvals were finally closed during the first week of March. This initiative created additional demand and pressured upward pig carcass prices from February to April, as the physical storage happened during these months. On the other hand, the pork meat in private storage is scheduled for release from May to August 2011. This will reduce the price pressure on pork carcass during that period.

Grain prices remained very volatile and close to their historical high levels, pushing back the outlook of increased profitability for pork and poultry farmers, and delaying full recovery in production in all EU27 countries. 2011 global grain production will increase due to larger plantings, but rising demand and weather uncertainty continue to play a significant role in price evolution in the short term.

The value of hams increased from +7% to +12%, a reflection of the increasing purchasing power of consumers and economic recovery in many geographic areas of Europe. Shoulders rose from +2% to +5%, while the other cuts and pork products were mostly unchanged against the previous year.

European chicken carcass prices were significantly higher during the first semester of 2011, directly impacted by the record grain prices. Poultry producers reacted to lower margins by decreasing production, thus pushing prices upward. Year-to-date, chicken carcass quotations rose from +12% to +25% in the main producer countries of the EU27. Additionally, exports to third countries jumped by +26.5% boosted by higher demand from China and Middle Easter countries (Saudi Arabia, UAE).

Brazil chicken output rose 3.4% during first 6 months. The data reflects optimism due to robust exports and firm domestic demand, and generally positive profit margins. Since January, the live quotation has risen by +18.2%, in parallel with higher production costs. The Real - Euro exchange rate remains at 9 year high in accordance with the strong GDP performance of the Brazilian economy relative to the EU27.

The pork and chicken meat market trends stated above affected Campofrio Food Group raw material costs only indirectly. First, the Company purchases pork and poultry cuts in different proportions, each one following its own supply and demand dynamics. During the first semester of 2011, the average meat price purchased by the Company increased 8.6% versus prior year levels. Second, and more importantly, the cost of goods sold of long-cycle products (cured products) reflects evolutions in raw material prices with a lag time which can vary between 6 and 24 months. Taking into consideration these factors, the meat costs from January to June 2011 rose by 14% versus the same period last year.

Results of Operations

Comparison of the six month period ended June 30, 2011 and the six month period ended June 30, 2010

Operating Revenues

The following table sets forth a detailed breakdown of our operating revenues for the six month period ended June 30, 2011 and June 30, 2010

Operating revenues	**Six month ended June 30,**			
	2011		**2010**	
	Actual (unaudited)	% of total oper. revenues	**Actual (unaudited)**	% of total oper. revenues
Net sales and services	938,648	96.9%	863,742	96.5%
% increase in Net Sales and Services	*8.7%*			
Increase in inventories of finished goods and work in progress	23,382	2.4%	28,047	3.1%
Capitalized expenses on Company's work on assets	1,990	0.2%	86	0.0%
Other operating revenue	4,726	0.5%	2,844	0.3%
Total operating revenues	**968,746**	**100.0%**	**894,719**	**100.0%**
% increase in total operating revenues	*8.3%*			

Operating revenues increased by 8.3% to €968.7 million for the six month period ended June 30, 2011 from €894.7 million for the same period of 2010. Net sales increased by 8.7% to €938.6 million for the six month period ended June 30, 2011 from €863.7 million in the same period of 2010, increase mainly attributable to Fiorucci integration to the Group which if not considered, total net sales and services increased by 1.6%.

Operating Expenses

The following table sets forth a detailed breakdown of operating expenses for the six month period ended June 30, 2011 and June 30, 2010

Operating expenses	**Six month ended June 30,**			
	2011		**2010**	
	Actual (unaudited)	% of total oper. revenues	**Actual (unaudited)**	% of total oper. revenues
Consumption of goods and other external charges	(533,756)	(55.1%)	(476,500)	(53.3%)
Employee benefits expense	(184,957)	(19.1%)	(167,144)	(18.7%)
Depreciation and amortization	(31,011)	(3.2%)	(27,509)	(3.1%)
Other operating expenses	(184,314)	(19.0%)	(178,043)	(19.9%)
Changes in trade provisions	(1,633)	(0.2%)	(247)	(0.0%)
Total operating expenses	**(935,671)**	**(96.6%)**	**(849,443)**	**(94.9%)**
% increase in total operating expenses	10.2%			

Operating expenses increased by 10.2% to €935.7 million for the six month period ended June 30, 2011 from €849.4 million for the same period of 2010. Operating expenses constituted 96.6% and 94.9% of total operating revenues for the six month period ended June 30, 2011 and 2010, respectively. The increase in operating expenses was primarily attributable to the incorporation of Fiorucci since April 2011. Without considering Fiorucci impact, the increase in the periods under comparison is reduced to a 2.5%.

Consumption of Goods and Other External Charges

Consumption of goods and other external charges increased by 12.0% to €533.8 million for the six month period ended June 30, 2011 from €476.5 million for the same period of 2010. Consumption of goods and other external charges constituted 55.1% and 53.3% in percentage of total operating revenues for the six month period ended June 30, 2011 and 2010, respectively. If considered together with the increase in inventories of finished goods and work in progress in Operating Revenues, net consumptions of goods and other external charges increased by 13.8%. Without considering Fiorucci, this increase is reduced to a 5.9% derived from higher meat cost during the six month period ended June 30, 2011 versus the same period of 2010.

Employee Benefits Expenses

Employee benefits expenses increased by 10.7% to €184.9 million for the six month period ended June 30, 2011 from €167.1 million for the same period of 2010. Without considering changes in the consolidation scope, the increase is reduced to a 4.6%. Employee benefits expenses constituted 19.1% and 18.7% for 2011 and 2010, respectively.

Depreciation and Amortization

Depreciation and amortization increased by 12.7% to €31.0 million for the six month period ended June 30, 2011 from €27.5 million for the same period of 2010. Depreciation and amortization represented 3% of total operating revenues for both periods.

Other Operating Expenses

Other operating expenses increased 3.5% to €184.3 million for the six month period ended June 30, 2011 from €178.0 million for the same period of 2010. Again, without considering Fiorucci contribution, the increase is transformed to a 4.3% reduction explained mainly by higher savings from improved manufacturing efficiency in France and Spain.

Finance and Tax Expenses

Finance Revenue and Finance Costs

In spite of the additional financing expenses related to the new bank financing related to the acquisition in Italy, net finance cost decreased by €2.5 million in the first semester from €28.3 million in 2010 to €25.7 million in 2011. In 2010, net finance cost was affected by the negative impact of €5.5 million, related to the mark-to-market fair value changes in the open derivatives under rather volatile financial market conditions. As mentioned previously, in order to curtail this fluctuation, the Company has proceeded to unwind all of the open derivatives keeping only one swap at June 30, 2011, with the corresponding reverse swap amounting to €18.5 million to minimize the mark-to-market volatility as referred above.

Income Tax Expenses

Income tax expenses amounted to €1.7 million for six month period ended June 30, 2011 compared to €2.7 million for the same period in 2010. For the six month period ended June 30, the effective tax rates were 31% in 2011 and 16% in 2010.

Result from Discontinued Operations

Result from discontinued operations includes our Romanian operations which amounted €0.2 million loss for the six month period ended June 30, 2011 and €3.2 million loss for the same period in 2010. (See note 13 in Campofrio Food Group, S.A. and Subsidiaries Non Audited Interim Condensed Consolidated Financial Statements for the six-month period ended June 30, 2011.)

Profit for the Period

For the six month period ended June 30, 2011, profit for the period amounted €3.5 million, compared to €10.8 million for the same period in 2010.

Operating Segment Reporting

	Six month ended June 30,			
Net sales and services	**2011**		**2010**	
	Actual (unaudited)	% of total	**Actual (unaudited)**	% of total
Southern Europe [1]	472,564	50.3%	399,577	46.3%
Northern Europe [2]	478,300	51.0%	472,247	54.7%
Eliminations [3]	(12,216)	(1.3%)	(8,082)	(0.9%)
Total net sales and services	**938,648**	100.0%	**863,742**	100.0%

	Six month ended June 30,			
EBITDA	**2011**		**2010**	
	Actual (unaudited)	% of total	**Actual (unaudited)**	% of total
Southern Europe [1]	41,484	64.7%	43,226	59.4%
Northern Europe [2]	32,737	51.1%	40,032	55.0%
Others [4]	(10,135)	(15.8%)	(10,473)	(14.4%)
Total EBITDA	**64,086**	100.0%	**72,785**	100.0%
% EBITDA margin over Net Sales				
Southern Europe	8.8%		10.8%	
Northern Europe	6.8%		8.5%	
Others	n.a.		n.a.	
Total EBITDA	**6.8%**		**8.4%**	

	Six month ended June 30,			
EBITDA (normalised)	**2011**		**2010**	
	Actual (unaudited)	% of total	**Actual (unaudited)**	% of total

Southern Europe [1]	41.519	64%	43.226	59%
Northern Europe [2]	32.787	51%	40.157	55%
Others [4]	-9.414	-15%	-10.473	-14%
Total EBITDA	**64.892**	100%	**72.910**	100%
% EBITDA normalised margin over Net Sales				
Southern Europe	8,8%		10,8%	
Northern Europe	6,9%		8,5%	
Others	n.a.		n.a.	
Total EBITDA	**6,9%**		**8,4%**	

[1] Southern Europe includes operating activities mainly managed in Spain, Portugal and Italy in 2011, which includes our fresh meat operations.

[2] Northern Europe includes operating activities managed primarily in France, the Netherlands, Belgium and Germany.

[3] Intercompany sales between segments, which are eliminated at consolidation level.

[4] Other includes mainly corporate activities.

Southern Europe

Net sales in Southern Europe increased by 18%, of which, much is attributable to the incorporation of the Italian operating company Fiorucci in April 2011. Excluding the contribution of Fiorucci, net sales growth is 2.9% on last year, which has been achieved in a context of challenging macro economic conditions due the focus on innovation, brand building and improved mix.

EBITDA in Southern Europe decreased €1.7 million to €41.5 million in the six month period ended June 30, 2011 from €43.2 million in the same period last year. Margin over net sales for the six month period ended June 30, 2011 was 8.8% showing a decrease over previous period of 204 basis points. A new commodity context in Europe with higher raw material prices, especially on meat, has had a negative impact on the six month period ended June 30, 2011 EBITDA. Nevertheless, pricing actions taken during the first two quarters and additional actions which are underway are starting to make an impact on EBITDA, and will impact in full in the year to go.

Northern Europe

Net Sales in Northern Europe increased by €6.1 million, representing a 1.3% increase, to €478.3 million in the six month period ended June 30, 2011 from €472.2 million in the six month period ended June 30, 2010. Growth is driven by focus on brand building and improved mix which compensates impact on sales of strategic portfolio reshaping in France.

EBITDA in Northern Europe decreased €7.3 million to €32.7 million in the six month period ended June 30, 2011, from €40.0 in the same period last year. Margin over net sales for the six month period ended June 30, 2011 was 6.8% showing a decrease over previous period of 163 basis points. Northern Europe has also been affected by the significant increase in raw material prices, with impact on EBITDA, while the full impact of EBITDA improving actions in pricing and also brand investment will come into force with full top line impact in the second semester.

Others

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

Cash Flow

Cash Flows from Operating Activities

For the six month period ended June 30, 2011, cash flow from operating activities increased to €66.4 million versus €46.2 million for the same period in 2010. This €20.4 million improvement was primarily attributable to an improved working capital.

Cash Used in Investing Activities

For the six month period ended June 30, 2011, cash flow from investing activities amounted to a negative €177.7 million, compared to a negative €15.3 million for the same period in 2010. Capital Expenditures amounted to €22.4 million in the six month period ended June 30, 2011 and €12 million in the same period last year. This variance was primarily attributable to the investment on a new ERP (SAP).

During the six month period ended June 30, 2011, the Company purchased the remaining minority interests in Jamones Burgaleses (Spain). The cash flow from investing activities includes in the six month period ended June 30, 2010, the purchase of the remaining minority interests in Navidul Extremadura (Spain).Investments in Group companies showed net cash impact related to the acquisition of Fiorucci.

Cash Flow from Financing Activities

For the six month period ended June 30, 2011, cash flow from financing activities amounted to €61 million compared to a negative €22 million for the same period last year. This improvement was primarily attributable to the financing raised in connection with Fiorucci aquisition.

Comparison of the three month period ended June 30, 2011 and the three month period ended June 30, 2010

Operating Revenues

The following table sets forth a detailed breakdown of our operating revenues for the three month period ended June 30, 2011 and June 30, 2010

Operating revenues	**Three month ended June 30,**			
	2011		**2010**	
	Actual (unaudited)	% of total oper. revenues	**Actual (unaudited)**	% of total oper. revenues
Net sales and services	514,870	99.0%	439,737	98.0%
% increase in Net Sales and Services	*17.1%*			0.0%
Increase in inventories of finished goods and work in progress	1,923	0.4%	8,356	1.9%
Capitalized expenses on Company's work on assets	1,937	0.4%	44	0.0%
Other operating revenue	1,222	0.2%	559	0.1%
Total operating revenues	519,952	100.0%	448,696	100.0%
% increase in total operating revenues	*15.9%*			

Operating revenues showed a 15.9% growth ending up at €519.9 million for the three month period ended June 30, 2011 comparing to €448.7 million for the same period in 2010. Net sales increased 17.1% to €514.9 million for the three month period ended June 30, 2011 from €439.7 million for the three month period ended June 30, 2010. Without considering Cesare Fiorucci Group contribution to 2011 Consolidated Income Statement, net sales increased by 4.6%.

Operating Expenses

The following table sets forth a detailed breakdown of operating expenses for the three month period ended June 30, 2011 and June 30, 2010

Operating expenses	**Three month ended June 30,**			
	2011		**2010**	
	Actual (unaudited)	% of total oper. revenues	**Actual (unaudited)**	% of total oper. revenues
Consumption of goods and other external charges	(287,837)	(55.9%)	(239,102)	(54.4%)
Employee benefits expense	(95,566)	(18.6%)	(79,253)	(18.0%)

Depreciation and amortization	(16,988)	(3.3%)	(13,833)	(3.1%)
Other operating expenses	(101,416)	(19.7%)	(91,489)	(20.8%)
Changes in trade provisions	(1,118)	(0.2%)	10	0.0%
Total operating expenses	(502,925)	(97.7%)	(423,667)	(96.3%)
% increase in total operating expenses	18.7%			

Operating expenses increased by 18.7% to €502.9 million for the three month period ended June 30, 2011 from €423.7 million for the same period in 2010. Operating expenses constituted 97.7% and 96.3% of total operating revenues for the three month period ended June 30, 2011 and June 30, 2010, respectively. The increase in operating expenses was primarily attributable to the incorporation of Fiorucci into the consolidation scope of the Group. Without considering Fiorucci impact, total operating expenses increased by 3.4%.

Consumption of Goods and Other External Charges

Consumption of goods and other external charges increased by 20.4% to €287.8 million for the three month period ended June 30, 2011 from €239.1 million for the same period in 2010. Consumption of goods and other external charges constituted 55.9% and 54.4% in percentage of total operating revenues for the three month period ended June 30, 2011 and June 30, 2010, respectively. If considered together with the increase in inventories of finished goods and work in progress in Operating Revenues, net consumptions of goods and other external charges increased by 23.9%. This increase is mainly attributable to Fiorucci integration, which if not considered, total increase is reduced to a 8.6% increase which is in overall reflecting raw material prices pressure on our supplies.

Employee Benefits Expenses

Employee benefits expenses increased by 20.6% to €95.6 million for the three month period ended June 30, 2011 from €79.3 million for the same period in 2010. The increase is primarily attributable to Fiorucci integration which if not considered, total increase is reduced to a 6.7% increase mainly attributable to inflation rate increase.

Depreciation and Amortization

Depreciation and amortization increase by 22.8% to €17.0 million for the three month period ended June 30, 2011 from €13.8 for the same period in 2010. This increase in primarily attributable to Fiorucci integration which if not considered, this increase is reduced to 3.6% increase. Depreciation and amortization represented 3.3% and 3.1% of total operating revenues for 2011 and 2010 respectively.

Other Operating Expenses

Other operating expenses increased by 10.9% to €101.4 million for the three month period ended June 30, 2011 from €91.5 million for the same period of prior year. Without considering Fiorucci contribution, this increase is reduced to a 4.3% reduction mainly attributable to savings from improved manufacturing efficiency in France.

Finance and Tax Expenses

Finance Revenue and Finance Costs

Net finance cost increased slightly by €0.8 million in the second quarter from €13.6 million in 2010 to €14.4 million in 2011. That is mainly due to the acquisition in April 2011 of our new subsidiary in Italy and the corresponding new financing and cash out. On the other side there has not been any negative impact related to the mark-to-market fair value changes in the open derivatives under rather volatile financial market conditions as it happened in 2010.

Income Tax

Income tax expenses amounted €0.6 million for three month period ended June 30, 2011 and €1.3 million in the same period of 2010. The effective tax rates were 37% in 2011 and 12% in 2010.

Result from Discontinued Operations

Result from discontinued operations includes our Romanian operations which amounted €0.3 million loss for the three month period ended June 30, 2011 and €3.0 million loss for the same period in 2010. (See note 13 in Campofrio Food Group, S.A. and Subsidiaries Non Audited Interim Condensed Consolidated Financial Statements for the six-month period ended June 30, 2011.)

Profit for the Period

For the three month period ended June 30, 2011, the profit for the period amounted €0.7 million compared to €6.9 million for the same period in 2010.

Operating Segment Reporting

Net sales and services	**Three month ended June 30, 2011** Actual (Unaudited)	% of total	**2010** Actual (Restated)	% of total
Southern Europe [1]	275,551	53.5%	206,043	46.9%
Northern Europe [2]	246,919	48.0%	237,723	54.1%
Eliminations [3]	-7,600	(1.5%)	-4,029	(0.9%)
Total net sales and services	**514,870**	100.0%	**439,737**	100.0%

EBITDA	**Three month ended June 30, 2011** Actual (Unaudited)	% of total	**2010** Actual (Restated)	% of total
Southern Europe [1]	22,993	67.6%	23,487	60.4%
Northern Europe [2]	16,529	48.6%	20,688	53.2%
Others [4]	(5,507)	(16.2%)	(5,314)	(13.7%)
Total EBITDA	**34,015**	100.0%	**38,862**	100.0%
% EBITDA margin over Net Sales				
Southern Europe	8.3%		11.4%	
Northern Europe	6.7%		8.7%	
Others	n.a.		n.a.	
Total EBITDA	**6.6%**		**8.8%**	

EBITDA (normalised)	**Three month ended June 30, 2011** Actual (Unaudited)	% of total	**2010** Actual (Restated)	% of total
Southern Europe [1]	23,028	66.0%	23,487	60.2%
Northern Europe [2]	16,644	47.7%	20,896	53.6%
Others [4]	(4,788)	(13.7%)	(5,394)	(13.8%)
Total EBITDA	**34,884**	100.0%	**38,989**	100.0%
% EBITDA normalised margin over Net Sales				
Southern Europe	8.4%		11.4%	
Northern Europe	6.7%		8.8%	
Others	n.a.		n.a.	
Total EBITDA	**6.8%**		**8.9%**	

[1] Southern Europe includes operating activities managed mainly in Spain, Portugal and Italy, and which includes our fresh meat operations.

[2] Northern Europe includes operating activities managed primarily in France, the Netherlands, Belgium and Germany.

[3] Intercompany sales, which are eliminated at consolidation level.

[4] Other includes mainly corporate activities.

Southern Europe

Net sales in Southern Europe increased by 34% to €275.6 million in the three month period ended June 30, 2011 from €206.0 million in the same period last year of which, much is attributable to the incorporation of the Italian operating company Fiorucci in April 2011. Excluding the contribution of Fiorucci, net sales growth is 4.0% on last year, which has been achieved in a context of challenging macro economic conditions due the focus on innovation, brand building and improved mix.

EBITDA in Southern Europe decreased €0.5 million to €23.0 million in the three month period ended June 30, 2011 from €23.5 million in the same period last year. Margin over net sales for the three month period ended June 30, 2011 was 8.3% showing a decrease over previous period of 310 basis points. A new commodity context in Europe with higher raw material prices, especially on meat, has had a negative impact on the quarter's EBITDA. Nevertheless, pricing actions taken during the first two quarters and additional actions which are underway are starting to make an impact on EBITDA, and will impact in full in the year to go.

Northern Europe

Net Sales in Northern Europe increased by €9.2 million, representing a 3.9% increase, to €246.9 million in the three month period ended June 30, 2011 from €237.7 million in the three month period ended June 30, 2010. Growth is driven by focus on brand building and improved mix which compensates negative impact on sales of strategic portfolio reshaping in France.

EBITDA in Northern Europe decreased €4.1 million to €16.5 million in the three month period ended June 30, 2011, from €20.7 million in the same period last year. Margin over net sales for the three month period ended June 30, 2011 was 6.7% showing a decrease over previous period of 200 basis points. Northern Europe has also been affected by the significant increase in raw material prices, with impact on EBITDA, while the full impact of EBITDA improving actions in pricing and also brand investment undertaken in the first semester will come into force with full top line impact in the second semester.

Others

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

Cash Flow

Cash Flows from Operating Activities

For the three month period ended June 30, 2011, cash flow from operating activities amounted to €31 million versus €31.5 million for the same period in 2010. This variance was primarily attributable to an improved working capital offset by lower EBITDA, income tax paid and higher net interest expenses.

Cash Used in Investing Activities

For the three month period ended June 30, 2011, cash flow from investing activities amounted to a negative €168.5 million, compared to a negative 6.8 million for the same period in 2010. Capital Expenditures amounted to €16.3 million in the three month period ended June 30, 2011 and €6.7 million in the same period last year. This variance was primarily attributable to the investment on a new ERP (SAP) Investments in Group companies showed net cash impact related to the acquisition of Fiorucci.

Cash Flow from Financing Activities

For the three month period ended June 30, 2011, cash flow from financing activities amounted to €61.9 million compared to a negative €17.3 million for the same period last year. This improvement was primarily attributable to the financing raised in connection with Fiorucci acquisition.

RECENT DEVELOPMENTS

On June 3rd, 2011, Campofrio Food Group Board of Directors received a communication from Smithfield Foods informing that they had terminated negotiations with respect to the proposed joint delisting takeover bid, together with Mr Pedro Ballve, to acquire the remaining shares of Campofrio Food Group.

Smithfield’s decision to terminate has been influence by, among other factors, (I) continued adverse economic conditions in Europe, which show few signs of abating, and (II) a decline in Smithfield’s stock price that had made the proposed transaction more difficult to finance on an accretive basis.

As Campofrio’s largest shareholder, Smithfield remains committed to holding 37% stake in Campofrio and supporting the company’s continued growth and development as Europe’s leading packaged meats company.

ANNEXE A – EXPLANATION OF INCOME STATEMENT ITEMS

Operating Revenues

Operating revenues consist of net sales and services, increases in inventories of finished goods and work in progress, capitalized expenses of company work on assets and other operating revenues.

Net Sales and Services

Our net sales and services consists primarily of the sales of dry, cooked and other meats products, after deduction of rebates and off invoice discounts.

Increase in Inventories of Finished Goods and Work in Progress

Increase in inventories of finished goods and work in progress includes the positive variation between the closing and opening value of finished products and work in progress.

Capitalized Expenses of Company Work on Assets

Capitalized expenses of Company work on assets includes personnel costs for staff engaged in facility development and construction and personnel expenses in connection with tangible and intangible assets. Capitalized staff costs are added to the carrying amount for the related asset in property, plant and equipment and amortized over their useful life.

Other Operating Revenues

Other operating revenues include other income not related to our core activities, such as capital grants release and operating grants.

Operating Expenses

Operating expenses consist of decrease in inventories of finished goods and work in progress, consumption of goods and other external charges, employee benefits expense, depreciation and amortization, changes in trade provisions and other operating expenses.

Decrease in Inventories of Finished Goods and Work in Progress

Decrease in inventories of finished goods and work in progress includes the negative variation between the closing and opening value of finished products and work in progress.

Consumption of Goods and Other External Charges

Consumption of goods and other external charges includes primary purchases of raw material, mainly meats, and other product components such as packaging, spices and other auxiliary materials. This item also includes the stock variation of such materials.

Employee Benefits Expense

Employee benefits expense includes wages and salaries, dismissal indemnities, social security costs and other employee benefits such as health and life insurance.

Depreciation and Amortization

Depreciation and amortization includes property, plant and equipment depreciation charges, amortization of other intangible assets with definitive useful life, such as operating software. Costs of property, plant and equipment in use are depreciated on a straight-line basis at annual rates based on the estimated useful life of the assets.

Changes in Trade Provisions

Changes in trade provisions include mainly changes in trade allowances and reversal from doubtful debtors. Also accounted for in this line item generally, are specific, non-recurring items that are not related to our ordinary business activities.

Other Operating Expenses

Other operating expenses include all other operating expenses, including services expenses, transport cost, utilities, energies, advertising, marketing and general expenses.

EBIT

EBIT is equal to operating revenues less operating expenses.

Net Finance Cost

Net finance cost includes finance revenue and finance costs. Finance revenue consists of income on loans and other marketable securities, other interest and similar income, exchange rate gains and changes in fair value of financial instruments. Finance cost consists of interest bearing loans and borrowings, other finance costs and exchange losses.

Income on Loans and other Marketable Securities

Income on loans and other marketable securities consists principally of interest from deposits.

Exchange Rate Gains and Losses

This item includes gains and losses from the variation on financial liabilities denominated in US dollars, which is partially offset by the existing cash flow hedge accounting, and also includes, to a lesser extent gains and losses from the trading generated by accounts payable and receivables denominated in currencies other than euro.

Change in Fair Value of Financial Instruments

Change in fair value of financial instruments includes gains and losses from the variation in the fair value of financial instruments that do not qualify for cash flow hedge accounting.

Impairment of Assets

Impairment of assets includes losses recognized when the recoverable amount of non current-assets is lower than their carrying value. The recoverable value is defined as the higher of the net fair market value or the value in use of each non-current asset.

Share of Profit (Losses) of Investments Accounted for Using the Equity Method

Results of companies accounted for using the equity method include investments in associates over which we exercise significant influence but which are neither subsidiaries nor jointly controlled entities. Investments are measured initially at acquisition cost, subsequently adjusted for changes to each company's equity, taking into consideration the percentage of ownership and any impairment.

Income Taxes

Income taxes consist of current tax payable on the taxable profit for the year and deferred tax. The corporate tax rate in Spain was 35% in 2006, 32.5% in 2007 and 30% in 2008.

Profit (loss) from Discontinued Operations

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