FINANCIAL STATEMENTS AND DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2011

EBRO FOODS, S.A.

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EBRO FOODS, S.A.
BALANCE SHEETS AT 31 DECEMBER 2011 AND 2010
Thousands of euros

ASSETS	Notes	12/31/2011	12/31/2010
A) NON-CURRENT ASSETS		**1,501,049**	**1,296,565**
I. Intangible assets	**5**	**12,899**	**1,694**
3. Patents, licences, trademarks and similar items		11,456	25
5. Computer software		1,443	1,669
II. Property, plant and equipment	**6**	**2,727**	**3,214**
1. Land and buildings		549	549
2. Plant and other items of property, plant and equipment		2,178	2,665
III. Investment property	**7**	**11,973**	**12,031**
1. Land		7,276	7,276
2. Buildings		4,697	4,755
IV. Non-current investments in Group companies and associates	**8**	**1,410,380**	**1,157,595**
1. Equity instruments		1,275,373	1,150,248
2. Loans to companies	**8, 9 & 17**	135,007	7,347
V. Non-current financial assets	**9**	**48,125**	**106,402**
1. Equity instruments		45,428	99,331
2. Loans to third parties		2,550	6,924
5. Other financial assets		147	147
VI. Deferred tax assets	**15**	**14,945**	**15,629**
B) CURRENT ASSETS		**67,412**	**459,364**
I. Non-current assets classified as held for sale	**8**	**0**	**0**
III. Trade and other receivables	**9 & 10**	**14,664**	**7,906**
1. Trade receivables for sales and services		926	439
2. Receivable from Group companies and associates	**17**	8,238	6,397
3. Sundry accounts receivable		0	1
4. Employee receivables		127	79
5. Current tax assets	**15**	2,303	177
6. Other accounts receivable from public authorities	**15**	3,070	813
IV. Current investments in Group companies and associates		**15,036**	**0**
2. Loans to companies	**9 & 17**	15,036	0
V. Current financial assets	**9**	**2,400**	**13,729**
2. Loans to third parties		2,400	13,729
VI. Current prepayments and accrued income		**47**	**27**
VII. Cash and cash equivalents	**11**	**35,265**	**437,702**
1. Cash		12,214	120,318
2. Cash equivalents		23,051	317,384
TOTAL ASSETS		**1,568,461**	**1,755,929**

The accompanying Notes 1 to 21 are an integral part of the balance sheet at 31 December 2011.

EBRO FOODS, S.A.
BALANCE SHEETS AT 31 DECEMBER 2011 AND 2010
Thousands of euros

EQUITY AND LIABILITIES	Notes	12/31/2011	12/31/2010
A) EQUITY		**1,063,557**	**1,084,030**
A.1) SHAREHOLDERS' EQUITY	**12**	**1,070,411**	**1,047,928**
I. Share capital		**92,319**	**92,319**
1. Registered share capital		92,319	92,319
II. Share premium		**5**	**5**
III. Reserves		**893,916**	**591,444**
1. Legal and bylaw reserves		18,464	18,464
2. Other reserves		875,452	572,980
IV. Treasury shares		**(46,303)**	**0**
VII. Profit for the year		**153,554**	**364,160**
VIII. Interim dividend		**(23,080)**	**0**
A.2) VALUATION ADJUSTMENTS		**(6,854)**	**36,102**
A.3) GRANTS, DONATIONS AND LEGACIES RECEIVED		**0**	**0**
B) NON-CURRENT LIABILITIES		**433,683**	**561,231**
I. Long-term provisions	**14**	**38,621**	**74,915**
1. Provisions for long-term employee benefit obligations		1,252	854
4. Other provisions		37,369	74,061
II. Non-current payables	**9**	**231,984**	**279,545**
2. Bank borrowings	**13**	231,957	279,518
5. Other financial liabilities		27	27
III. Non-current payables to Group companies and associates	**17**	**130,938**	**157,585**
IV. Deferred tax liabilities	**15**	**32,140**	**49,186**
C) CURRENT LIABILITIES		**71,221**	**110,668**
I. Liabilities associated with non-current assets classified as held for sale	**8**	**0**	**0**
III. Current payables:	**9**	**59,398**	**86,510**
2. Bank borrowings	**13**	58,022	39,674
5. Other financial liabilities		1,376	46,836
IV. Current payables to Group companies and associates	**17**	**312**	**10,428**
V. Trade and other payables:	**9**	**11,511**	**13,730**
1. Payable to suppliers		771	3,394
2. Payable to suppliers - Group companies and associates	**17**	177	654
4. Remuneration payable		5,242	2,718
5. Current tax liabilities	**15**	0	903
6. Other accounts payable to public authorities	**15**	5,321	6,061
TOTAL EQUITY AND LIABILITIES		**1,568,461**	**1,755,929**

The accompanying Notes 1 to 21 are an integral part of the balance sheet at 31 December 2011.

EBRO FOODS, S.A. INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010 Thousands of euros	Notes	2011	2010
CONTINUING OPERATIONS			
Revenue		**156,728**	**16,777**
Services		4,631	4,497
Dividends from Group companies	**8 & 17**	150,275	11,962
Finance income from Group companies	**17**	1,822	318
Other operating income		**5,606**	**2,991**
Non-core and other current operating income		5,606	2,991
Staff costs		**(12,769)**	**(11,628)**
Wages, salaries and similar expenses		(9,013)	(9,989)
Employee benefit costs		(1,045)	(933)
Termination benefits		(2,273)	0
Provisions		(438)	(706)
Other operating expenses		**(9,330)**	**(12,751)**
Outside services		(8,503)	(9,369)
Taxes other than income tax		(827)	(1,027)
Other current operating expenses		0	(2,355)
Depreciation and amortisation charge	**5, 6 & 7**	**(1,182)**	**(709)**
Impairment and gains or losses on disposals of non-current assets		**284**	**171,882**
Impairment and other losses		0	(3,824)
Gains or losses on disposals and other	**5 & 7**	284	175,706
PROFIT FROM OPERATIONS		**139,337**	**166,562**
Finance income		**8,454**	**5,642**
From marketable securities and other financial instruments:			
Third parties		8,454	5,642
Finance costs		**(7,805)**	**(9,659)**
On debts to Group companies and associates	**17**	(2,139)	(1,321)
On debts to third parties		(4,125)	(6,747)
Interest cost relating to provisions	**14**	(1,541)	(1,591)
Exchange differences	**9**	**848**	**(2,778)**
Impairment and gains or losses on disposals of financial instruments		**2,798**	**309,128**
Impairment and other losses	**8**	(14,348)	(15,893)
Gains or losses on disposals and other	**8**	17,146	325,021
FINANCIAL PROFIT		**4,295**	**302,333**
PROFIT BEFORE TAX		**143,632**	**468,895**
Income tax	**15**	**9,922**	**(104,735)**
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**153,554**	**364,160**
DISCONTINUED OPERATIONS			
Profit/Loss for the year from discontinued operations net of tax		**0**	**0**
PROFIT FOR THE YEAR		**153,554**	**364,160**

The accompanying Notes 1 to 21 are an integral part of the income statement for the year ended 31 December 2011.

EBRO FOODS, S.A. STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010 Thousands of euros	Notes	2011	2010
A) Profit per income statement		**153,554**	**364,160**
Income and expense recognised directly in equity			
I. Arising from revaluation of financial instruments.			
1. Available-for-sale financial assets.	**9**	(61,366)	51,574
2. Other income/expenses.			
II. Arising from cash flow hedges.			
III. Grants, donations and legacies received.			
IV. Arising from actuarial gains and losses and other adjustments.			
V. Tax effect.		18,410	(15,472)
B) Total income and expense recognised directly in equity		**(42,956)**	**36,102**
Transfers to profit or loss			
VI. Arising from revaluation of financial instruments.			
1. Available-for-sale financial assets.			
2. Other income/expenses.			
VII. Arising from cash flow hedges.			
VIII. Grants, donations and legacies received.			
IX. Tax effect.			
C) Total transfers to profit and loss		**0**	**0**
TOTAL RECOGNISED INCOME AND EXPENSE (A + B + C)		**110,598**	**400,262**

The accompanying Notes 1 to 21 are an integral part of this statement of recognised income and expense for the year ended 31 December 2011.

EBRO FOODS, S.A.
STATEMENTS OF CHANGES IN TOTAL EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010

Thousands of euros	Share capital	Share premium	Reserves	Treasury shares	Prior years' profits/ losses	Profit (Loss) for the year	Interim dividend	Other equity instruments	Valuation adjustments	Grants, donations and legacies received	TOTAL
BEGINNING BALANCE AT 12/31/09	**92,319**	**5**	**578,832**	**(7,727)**	**0**	**164,145**	**0**	**0**	**0**	**0**	**827,574**
I. Adjustments due to changes in policies											0
II. Adjustments due to errors											0
ADJUSTED BALANCE AT 01/01/10	**92,319**	**5**	**578,832**	**(7,727)**	**0**	**164,145**	**0**	**0**	**0**	**0**	**827,574**
I. Total recognised income and expense.						**364,160**			**36,102**		**400,262**
II. Transactions with shareholders or owners:	**0**	**0**	**12,612**	**7,727**	**0**	**(164,145)**		**0**	**0**	**0**	**(143,806)**
- Dividends paid.			10,411			(164,145)					(153,734)
- Treasury share transactions (net).			2,201	7,727							9,928
- Other transactions with shareholders											0
III. Other changes in equity.											**0**
ENDING BALANCE AT 12/31/10	**92,319**	**5**	**591,444**	**0**	**0**	**364,160**	**0**	**0**	**36,102**	**0**	**1,084,030**
I. Adjustments due to changes in policies											0
II. Adjustments due to errors											0
ADJUSTED BALANCE AT 01/01/11	**92,319**	**5**	**591,444**	**0**	**0**	**364,160**	**0**	**0**	**36,102**	**0**	**1,084,030**
I. Total recognised income and expense.						**153,554**			**(42,956)**		**110,598**
II. Transactions with shareholders or owners:	**0**	**0**	**302,472**	**(46,303)**	**0**	**(364,160)**	**(23,080)**	**0**	**0**	**0**	**(131,071)**
- Dividends paid.			301,705			(364,160)	(23,080)				(85,535)
- Treasury share transactions (net).			767	(46,303)							(45,536)
- Other transactions with shareholders											0
III. Other changes in equity.											**0**
ENDING BALANCE AT 12/31/11	**92,319**	**5**	**893,916**	**(46,303)**	**0**	**153,554**	**(23,080)**	**0**	**(6,854)**	**0**	**1,063,557**

The accompanying Notes 1 to 21 are an integral part of this statement of changes in total equity for the year ended 31 December 2011.

EBRO FOODS, S.A.
STATEMENTS OF CASH FLOWS FOR
THE YEARS ENDED 31 DECEMBER 2011 AND 2010

Thousands of euros	Notes	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		**51,117**	**(83,624)**
1. Profit for the year before tax.		**143,632**	**468,895**
2. Adjustments for:		**(157,589)**	**(485,284)**
a) Depreciation and amortisation charge.	5,6 & 7	1,182	709
b) Impairment losses (+/-)	8	14,348	19,717
c) Changes in provisions (+/-) (+)	14	438	502
e) Losses on derecognition and disposal of non-current assets (+/-),	7	(284)	(175,706)
f) Losses on derecognition and disposal of financial instruments (+/-).	8	(17,146)	(325,021)
g) Finance income (-)		(10,276)	(5,960)
h) Finance costs (+)		7,805	9,659
i) Exchange differences (+/-)	9.1	(848)	2,778
k) Other income and expenses (-/+).		(152,808)	(11,962)
3. Changes in working capital.		**(3,906)**	**(3,449)**
b) Trade and other receivables (+/-)		(4,739)	179
d) Trade and other payables (+/-)		435	(330)
f) Other non-current assets and liabilities (+/-).		398	(3,298)
4. Other cash flows from operating activities.		**68,980**	**(63,786)**
a) Interest paid (-)		(3,317)	(6,989)
b) Dividends received (+).		50,274	11,241
c) Interest received (+).		11,934	4,598
d) Income tax recovered (paid) (+/-)		10,089	(72,636)
CASH FLOWS FROM INVESTING ACTIVITIES		**(147,399)**	**663,466**
6. Payments due to investment (-)		**(154,313)**	**(50,637)**
a) Group companies and associates		(141,391)	(2)
b) Intangible assets		(12,782)	(1,288)
c) Property, plant and equipment	6	(140)	(941)
d) Investment property	7	0	(650)
e) Other financial assets		0	(47,756)
7. Proceeds from disposal (+)		**6,914**	**714,103**
a) Group companies and associates		4,363	529,275
b) Intangible assets		0	181,111
c) Property, plant and equipment		2,551	1,089
d) Investment property		0	2,628
CASH FLOWS FROM FINANCING ACTIVITIES		**(306,155)**	**(169,196)**
9. Proceeds and payments relating to equity instruments		**(45,537)**	**9,928**
c) Purchase of treasury shares (-)		(55,928)	0
d) Disposal of treasury shares (+)		10,391	9,928
10.Proceeds and payments relating to financial liability instruments		**(128,923)**	**(73,814)**
a) Issue of		**8,289**	**137,558**
2. Bank borrowings (+)		0	12,037
3. Borrowings from Group companies and associates (+)		8,289	125,521
b) Repayment of		**(137,212)**	**(211,372)**
2. Bank borrowings (-)		(28,464)	(215,799)
3. Borrowings from Group companies and associates (-)		(108,748)	4,427
11. Dividends and returns on other equity instruments paid		**(131,695)**	**(105,310)**
a) Dividends (-)		(131,695)	(105,310)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**0**	**(69)**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**(402,437)**	**410,577**
Cash and cash equivalents at beginning of year		**437,702**	**27,125**
Cash and cash equivalents at end of year		**35,265**	**437,702**

The accompanying Notes 1 to 21 are an integral part of the statement of cash flows for the year ended 31 December 2011.

1. COMPANY ACTIVITIES

The Spanish public limited liability company Ebro Foods, S.A., ("the Company") arose from the merger by absorption of Puleva, S.A. into Azucarera Ebro Agrícolas, S.A. on 1 January 2001. As a result of that transaction, the post-merger company's name was changed from Azucarera Ebro Agrícolas, S.A. to Ebro Puleva, S.A. and, subsequently, at the Annual General Meeting held on 1 June 2010, the Company adopted the current name of Ebro Foods, S.A.

The Company's current registered office is in Madrid (28046), at Paseo de la Castellana, 20. The Company's object is to perform the following business activities in Spanish and foreign markets:

a) The production, preparation, sale, research, export and import of all manner of food and dietary products for both human and animal consumption, in addition to energy food products, including their by-products and waste, and, in particular, of sugar and agricultural products, dairy products, rice, pasta and all manner of nutritional products, including special diets for clinical feeding and special formulas, products and compounds for sale in the pharmaceutical, healthcare, veterinary and biofuel industries.

b) The production, exploitation and sale of all manner of food, soft and alcoholic beverages.

c) The use of by-products and the provision of services or products of all types relating to the aforementioned activities, including refrigeration units, ice, industrial gas, steam, cooling and energy.

d) The acquisition, lease, creation, installation, promotion, development and management of industrial, farming and livestock facilities in the food, nutrition and beverage (including alcohol) industries.

e) The performance of projects and installation work and the provision of all manner of technical assistance for other companies in the aforementioned industries; the creation, promotion, protection and use of patents, trademarks and items of other kinds covered by intellectual property rights.

f) Staff training, computer programming or management, investment and optimisation of resources, advertising and corporate image, transport, distribution and sale activities that are ancillary or complementary to the aforementioned activities.

The activities making up the Company's object may be carried on through the subscription or acquisition of shares or other equity interests in companies with an identical or similar company object.

Ebro Foods, S.A. is the head of the consolidated Group consisting of it, as the parent, and the subsidiaries and associates with which it presented separately consolidated financial statements for 2011, authorised for issue by the directors of Ebro Foods, S.A. on 28 March 2012. The consolidated financial statements for 2010 were approved by the shareholders at the Annual General Meeting of Ebro Foods, S.A. on 15 June 2011 and were filed at the Madrid Mercantile Registry.

This should be taken into consideration when assessing the purely circumstantial working capital position at the end of each year in the separate financial statements of Ebro Foods, S.A., which, as the head of the Group, has other financing options available to it, through the application of the dividend policy, for example.

The main aggregates in the consolidated financial statements for 2011 and 2010, prepared in accordance with Final Provision Eleven of Law 62/2003, of 30 December, applying International Financial Reporting Standards as approved by the Regulations of the European Commission, are as follows:

Thousands of euros	At 12/31/10		At 12/31/11	
Total assets		**2,885,030**		**2,710,608**
Equity:		**1,607,446**		**1,588,460**
- Of the Parent	1,592,743		1,587,298	
- Of non-controlling interests	14,703		1,162	
Income		**1,702,023**		**1,804,111**
Profit for the year:		**388,942**		**151,643**
- Of the Parent	388,797		151,542	
- Of non-controlling interests	145		101	

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

The figures included in the financial statements are expressed in thousands of euros, unless otherwise indicated.

Regulatory financial reporting framework applicable to the Company

These financial statements were formally prepared by the directors in accordance with the regulatory financial reporting framework applicable to the Company, which consists of:

a) The Spanish Commercial Code and all other Spanish corporate law.

b) The Spanish National Chart of Accounts approved by Royal Decree 1514/2007 and its industry adaptations.

c) The mandatory rules approved by the Spanish Accounting and Audit Institute in order to implement the Spanish National Chart of Accounts and the relevant secondary legislation.

d) All other applicable Spanish accounting legislation.

Fair presentation

The accompanying financial statements, which were obtained from the Company's accounting records, are presented in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein and, accordingly, present fairly the Company's equity, financial position, results of operations and cash flows for 2011.

These financial statements, which were formally prepared by the Company's directors, will be submitted for approval by the shareholders at the Annual General Meeting, and it is considered that they will be approved without any changes. The financial statements for 2010 were approved by the shareholders at the Annual General Meeting held on 15 June 2011.

Comparative information

The information relating to 2010 included in these notes to the financial statements is presented for comparison purposes with that relating to 2011.

Key issues in relation to the measurement and estimation of uncertainty

In preparing the Company's financial statements, the directors made estimates based on historical experience and other factors that they considered reasonable in view of current circumstances, which constitute the basis for establishing the carrying amount of assets and liabilities that cannot be easily identified using other sources. The Company reviews its estimates on an on-going basis. However, in view of the uncertainty of these sources, there is a significant risk that material adjustments might have to be made in the future to the carrying amount of the assets and liabilities affected if there is a significant change in the assumptions, events or circumstances upon which they are based.

The key assumptions regarding the future and other relevant data relating to the estimation of uncertainty at the end of the reporting period that entail a significant risk because they represent significant changes in the value of the assets and liabilities in the coming year are as follows:

Taxation

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the four-year statute-of-limitations period has expired from the date the corresponding tax returns have been filed. The directors consider that there are no contingencies that might result in additional material liabilities for the Company as a result of the completion of the tax audit currently in progress (see Note 15).

Impairment of non-financial assets

The Company analyses once a year whether there are indications of impairment of non-financial assets. Intangible assets with an indefinite useful life are tested for impairment at least once a year. The other non-financial assets are tested for impairment whenever there are indications of impairment (see Notes 5, 6 and 7), and they are depreciated/amortised based on their estimated useful life.

(Expressed in thousands of euros)

Deferred tax assets

Deferred tax assets are recognised on the basis of the future estimates made by the Company in relation to the probability that it will have taxable profits in the future (see Note 15).

Provisions

The Company recognises provisions for contingencies in accordance with the accounting policy indicated in Note 4-n to these financial statements. The Company made judgments and estimates as to the probability that these contingencies will become liabilities and the amount thereof, recognising a provision whenever the risk was considered probable, estimating the cost that gave rise to the related obligation (see Note 14). Although these estimates were made on the basis of the best information available at 2011 year-end, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively.

Corporate transactions performed in 2011 affecting the basis of presentation

In 2011 no corporate transactions took place that affected presentation comparability with prior years. However, the detail of prior years' corporate transactions for which information must be included in the financial statements of subsequent years is as follows:

a) Merger by absorption of Productos La Fallera, S.A.:

   See financial statements for 2003

b) Dissolution of Azucarera Ebro Agrícolas Gestión de Patrimonio, S.L. (GDP) with the transfer of all its assets and liabilities to Ebro Foods, S.A.:

   See financial statements for 2003

3. DISTRIBUTION OF PROFIT

	Amount (thousands of euros)
Basis of distribution	
Unrestricted reserves	872,283
Profit for the year	153,554
2011 interim dividend paid in 2011	(23,080)
	1,002,757

The profit distribution proposal prepared by the directors of Ebro Foods, S.A. at the Board of Directors Meeting of 28 March 2012, which has not yet been approved by the shareholders at the Annual General Meeting, is as follows:

(Expressed in thousands of euros)

The consolidated profit of the Ebro Foods Group for 2011 makes it possible to propose, as in prior years, the distribution of an ordinary dividend payable in cash with a charge to unrestricted reserves of EUR 0.60 per share for a total amount of EUR 92,309 thousand, of which EUR 0.15 per share was paid in an interim dividend in 2011 and EUR 0.15 per share in January 2012. Accordingly, the remaining amount of EUR 0.30 per share will be settled in two payments of EUR 0.15 each on 11 May 2010 and 11 September 2012.

Interim dividend

On 15 June 2011, the Board of Directors approved the payment of an interim dividend out of 2012 profit, of EUR 0.15 per share and for a total amount of EUR 23,080 thousand.

This dividend was approved on the basis of the provisional financial statements at 30 April 2011, which were available at 15 June 2011, and after verifying that the requisite appropriations to the legal and bylaw reserves had been made. The liquidity statement prepared by the Company's directors, verifying the existence of sufficient liquidity, is as follows:

Date (thousands of euros)	30 April 2011
Liquidity	
Current assets	406,952
Current liabilities	(97,712)
Net working capital	309,240
Per financial statements	
Share capital	92,319
Net profit: 1 January to 30 April 2011	37,435
Shareholders' equity	1,085,363

The interim dividend distributed did not exceed the profit obtained since the end of the previous year, net of prior years' losses, the amounts that must be appropriated to legal and bylaw reserves and the estimated income tax payable on such profit, as shown in the accounting position, per the liquidity statement at 30 April 2011.

Limitations on the distribution of dividends

The Company must transfer 10% of net profit for each year to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. Otherwise, until the legal reserve exceeds 20% of share capital, it cannot be distributed to shareholders (see Note 12-c).

Once the appropriations provided for by law or by the bylaws have been covered, dividends may only be distributed out of the profit for the year or unrestricted reserves if the value of the equity is not already, or as a result of the distribution, lower than that of the share capital. For this purpose, the profit recognised directly in equity may not be directly or indirectly distributed. If prior years' losses existed that reduced the value of the Company's equity to below that of the share capital, the profit would have to be used to offset those losses.

4. ACCOUNTING POLICES

a) <u>Intangible assets</u>

Intangible assets are initially recognised at acquisition or production cost. The cost of intangible assets acquired through business combinations is its fair value at the date of acquisition.

Following initial recognition, intangible assets are measured at cost, less any accumulated amortisation and, where applicable, any accumulated impairment losses recognised.

Each intangible asset is analysed to determine whether the useful life is finite or indefinite.

Intangible assets with a finite useful life are amortised systematically based on the estimated useful life of the assets and their residual value. The amortisation methods and periods are reviewed at the end of each year and, where appropriate, they are adjusted prospectively. Intangible assets are assessed for indications of impairment at least at the end of each reporting period and, if there are indications of impairment, the recoverable amount is estimated and the appropriate impairment losses are recognised. Patents, licences, trademarks and similar items are amortised on a straight-line basis over their years of useful life, which, in general, is estimated to be four years, as in the case of computer software.

Intangible assets with an indefinite useful life are not amortised and they are analysed for possible impairment at least once a year. This indefinite useful life assessment is reviewed at each reporting date.

b) <u>Property, plant and equipment</u>

Property, plant and equipment are initially recognised at acquisition or production cost. The cost of property, plant and equipment acquired through business combinations is fair value at the acquisition date. Following initial recognition, property, plant and equipment are measured at cost, less any accumulated depreciation and any accumulated impairment losses recognised.

The cost of certain assets acquired or produced on or after 1 January 2008 that require more than twelve months to get ready for their intended use includes such borrowing costs as might have been incurred before the non-current assets that meet the requirements for capitalisation are ready for their intended use.

In addition, the value of the property, plant and equipment includes the initial estimate of the present value of the obligations assumed as a result of dismantling or disposal, and other obligations associated with the asset, such as refurbishment costs, whenever these obligations lead to the recognition of provisions.

Repair costs that do not lead to a lengthening of the useful lives of the assets and maintenance costs are charged to the income statement for the year in which they are incurred. The costs of expansion or improvements leading to increased productivity or capacity or to a lengthening of the useful lives of the assets are capitalised.

The depreciation charge is recognised in the income statement. Property, plant and equipment are depreciated from the moment they become ready for use. Depreciation of property, plant and equipment is calculated using the straight-line method over the estimated useful life of the respective assets, based on the actual decline in value caused by their use and by wear and tear, the detail being as follows:

Depreciation rate	
Buildings	2.0 to 3.0%
Machinery, plant and tools	2.0 to 8.0%
Furniture and fittings	10.0 to 25.0%
Transport equipment	5.5 to 16.0%

At the end of each reporting period the Company reviews and adjusts, where appropriate, the residual values, useful lives and the depreciation method relating to property, plant and equipment, and the appropriate adjustments are made prospectively.

c) Investment property

“Investment Property” comprises land and buildings leased to third parties or out of use. Buildings are depreciated using the straight-line method over an estimated useful life of 50 years.

The accounting policies for property, plant and equipment fully apply to investment property. Assets are transferred to investment property when, and only when, there is a change in use.

d) Asset exchanges

In the case of assets received in an exchange transaction, the Company analyses each transaction in order to establish whether or not the exchange has commercial substance.

The asset received in an exchange with commercial substance is recognised at the fair value of the asset given up plus, where appropriate, any monetary consideration paid, except in the case of transactions in which there is clearer evidence of the fair value of the asset received, in which case it will be recognised at the latter amount. The valuation differences arising on derecognition of the asset given up in the exchange are recognised in the income statement.

Whenever the asset exchange lacks commercial substance or it is not possible to obtain a reliable estimate of the fair value of the assets involved in the transaction, the asset received in the exchange is recognised at the carrying amount of the asset given up plus, where appropriate, any monetary consideration paid.

e) Impairment of non-financial non-current assets

The Company tests non-financial non-current assets or, where applicable cash-generating units, for indications of impairment at least once a year. At the end of each reporting period (for goodwill and intangible assets with indefinite useful lives) or whenever there are indications of impairment (for other assets) the Company estimates the recoverable amount of the assets.

Recoverable amount is the higher of fair value less costs to sell and value in use. Whenever the carrying amount exceeds the recoverable amount, an impairment loss is recognised. Value in use is the present value of the estimated future cash flows, using risk-free market interest rates, adjusted for the specific risks associated with the asset. Where the asset itself does not generate cash flows that are largely independent from those generated by other assets or groups of assets, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment losses and reversals thereof are recognised in the income statement. Impairment losses are reversed when the circumstances giving rise to them cease to exist, expect for those relating to goodwill. Impairment losses may be reversed up to the limit of the carrying amount that would have been determined had no impairment loss been recognised in prior years.

f) Leases

Leases are classified as finance leases whenever the economic terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

If the company acts as lessee

Assets held under a finance lease are recognised on the basis of their nature at the lower of the fair value of the asset and the present value, at inception of the lease, of the agreed minimum lease payments and a financial liability is also recognised for the same amount. Lease payments are recognised as finance costs and as a reduction in the liability. The same criteria concerning depreciation, impairment and derecognition as are applied to assets that are owned are also used for leased assets.

Operating lease payments are recognised as an expense in the income statement on an accrual basis.

If the Company acts as lessor

Lease income from operating leases is recognised in income on an accrual basis. The costs directly attributable to the lease are capitalised to the leased asset and are recognised as an expense over the lease term, applying the same method as that used to recognise lease income.

g) Financial assets

1) Classification and measurement

1.1) Loans and receivables

“Loans And Receivables” includes trade and non-trade receivables, including the financial assets that have fixed or determinable payments and are not traded in an active market, for which the Company expects to recover the full amount paid except, where applicable, for reasons attributable to the solvency of the debtor.

Upon initial recognition, loans and receivables are measured at fair value, which, in the absence of evidence to the contrary, is the transaction price, which is the fair value of the consideration given plus the directly attributable transaction costs. These financial assets are subsequently measured at amortised cost.

However, trade receivables maturing within one year, with no contractual interest rate, and advances and loans to employees, dividends receivable and capital calls, expected to be received at short term are initially recognised and subsequently measured at their nominal value, whenever the effect of not discounting the cash flows is not material.

1.2) Held-to-maturity investments

"Held-to-Maturity Investments" includes the debt securities with fixed maturity and fixed or determinable payments that are traded in an active market and which the Company has the positive intention and financial capacity to hold until maturity.

Upon initial recognition, held-to-maturity investments are measured at fair value, which, in the absence of evidence to the contrary, is the transaction price, which is the fair value of the consideration given plus the directly attributable transaction costs.

These financial assets are subsequently measured at amortised cost.

1.3) Investments in Group companies, jointly controlled entities and associates

"Investments in Group Companies, Jointly Controlled Entities and Associates" includes equity investments in companies over which control, joint control by way of a bylaw or contractual agreement, or significant influence is exercised. Upon initial recognition, these investments are measured at fair value, which, unless there is evidence to the contrary, is the transaction price, which is the fair value of the consideration given plus the directly attributable transaction costs, except in the case of non-monetary contributions to a Group company in which the object is a business, when the investment is recognised at the carrying amount of the assets composing the business. The amount initially recognised includes the amount of the pre-emptive subscription and similar rights acquired.

These financial assets are subsequently measured at cost less any accumulated impairment losses.

When an investment is classified as an investment in a Group company, jointly controlled entity or associate, the cost is considered to be the amount at which it had been carried previously, and any valuation adjustments previously recognised in equity are retained in equity until the investment is disposed of or becomes impaired.

If the pre-emptive subscription and similar rights are sold or are segregated for exercise, the carrying amount of the respective assets will be reduced by the cost of the rights.

In the case of equity investments in Group companies affording control over the subsidiary, since 1 January 2010 the fees paid to legal advisers and other professionals relating to the acquisition of the investment have been recognised directly in profit or loss.

1.4) Held-for-trading financial assets

"Held-for-Trading Financial Assets" includes the financial assets originated or acquired with the intention of obtaining a short-term gain. Derivative instruments that have not been designated as hedging instruments also form part of "Held-for-Trading Financial Assets".

Held-for-trading financial assets are initially recognised at fair value in the balance sheet, which, unless there is evidence to the contrary, is the transaction price. Any directly attributable transaction costs are recognised in the income statement.

The initial value of equity instruments includes the amount of the pre-emption and similar rights acquired.

Held-for-trading financial assets are subsequently measured at fair value including any transaction costs that might be incurred on disposal. Any changes in fair value are recognised in profit or loss.

1.5) Available-for-sale financial assets

"Available-For-Sale Financial Assets" includes debt securities and equity instruments that are not included in any of the aforementioned categories.

Upon initial recognition, available-for-sale financial assets are measured at fair value, which, in the absence of evidence to the contrary, is the transaction price, which is the fair value of the consideration given plus the directly attributable transaction costs. The initial value of equity instruments includes the amount of the pre-emption and similar rights acquired.

These financial assets are subsequently measured at fair value including any transaction costs that might be incurred on disposal. Any changes in the fair value are recognised directly in equity until the financial asset is derecognised or becomes impaired, at which time the amount recognised in equity will be transferred to profit or loss. However, any exchange gains or losses on monetary financial assets denominated in foreign currency are recognised in the income statement.

Equity instruments, the fair value of which cannot be estimated reliably, are measured at cost, less, where applicable, any accumulated impairment losses.

If the pre-emptive subscription and similar rights are sold or are segregated for exercise, the carrying amount of the respective assets will be reduced by the cost of the rights.

1.6) Derivative hedging instruments

Hedging derivatives include financial derivatives classified as hedging instruments.

Financial instruments designated as hedging instruments or hedged items are accounted for as described in Note 4-j.

2) Derecognition

Financial assets are derecognised from the Company's balance sheet when the contractual rights on the cash flows of the financial asset have expired or have been transferred, provided that substantially all the risks and rewards incidental to ownership are transferred.

If the Company has neither substantially transferred nor retained all the risks and rewards of ownership of the financial asset, it is derecognised once control is relinquished. If the Company still exercises control over the asset, it continues to recognise it at the amount for which it is exposed to changes in the value of the asset transferred, i.e., to the extent of its continuing involvement, and the associated liability is recognised.

The difference between the consideration received, net of the attributable transaction costs, including any new asset obtained less any new liability assumed, and the carrying amount of the financial asset transferred, plus any accumulated amount recognised directly in equity, will be the gain or loss on derecognition of the financial asset and will be recognised in profit or loss.

The Company does not derecognise financial assets in transfers in which substantially all the risks and rewards of ownership are retained, such as in the case of note and bill discounting, factoring transactions, sales of financial assets subject to an agreement to buy them back at a fixed price or at the selling price plus a lender's return and the securitisation of financial assets in which the Company retains a subordinated interest or any other kind of guarantee that absorbs substantially all the expected losses. In these cases, the Company recognises a financial liability for an amount equal to the consideration received.

3) Interest and dividends received from financial assets

Interest and dividends from financial assets earned after the date of acquisition are recognised as income in profit or loss and both dividends and finance income from Group companies are recognised as revenue. Interest must be recognised using the effective interest method and dividend revenue must be recognised when the shareholder's right to receive payment is established.

For this purpose, financial assets are initially recognised separately, based on their maturity, from the amount of the unmatured explicit interest earned at that date, and the amount of the dividends declared by the competent body up to the acquisition date. Explicit interest is understood to be the interest obtained from applying the contractual interest rate of the financial instrument.

In addition, when the dividends are clearly paid out of the profit obtained prior to the acquisition date because amounts were paid in excess of the profit earned by the investee since its acquisition, they are not recognised as revenue and are deducted from the carrying amount of the investment.

h) Impairment of financial assets

The carrying amount of the financial assets is adjusted by the Company with a charge to the income statement when objective evidence of an impairment loss exists.

The Company calculates impairment losses on financial assets by assessing the possible impairment losses on individual assets and groups of assets with similar risk characteristics.

Debt instruments

There is objective evidence of impairment on debt instruments, taken to be accounts receivable, loans and debt securities, when an event occurs after the initial recognition of the asset that has an adverse impact on the estimated future cash flows of the asset.

The Company treats as impaired assets (doubtful assets) debt instruments for which there is objective evidence of impairment, due mainly to the existence of delinquency, default, re-financing and the existence of observable data indicating the possibility that all the future flows agreed upon might not be recovered or that there might be a delay in their collection.

In the case of a financial asset measured at amortised cost, the amount of impairment losses is equal to the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate. Financial assets tied to floating interest rates are discounted using the effective interest rate prevailing at the end of the reporting period.

The Company considers trade and other receivables to be doubtful assets when they are more than six months past-due and when there is no guarantee of collection, together with balances relating to companies that have filed for insolvency.

The Company takes the market price of quoted instruments as a substitute for the present value of the future cash flows, provided that it is sufficiently reliable.

A reversal of an impairment loss is recognised as income in the income statement up to the limit of the carrying amount that would have been recognised at the date of reversal had no impairment loss been recognised.

Equity instruments

There is objective evidence that equity instruments have become impaired when an event or a combination of events occurs after initial recognition that indicates that it will not be possible to recover the carrying amount due to a prolonged or significant decline in its fair value. In this regard, the Company considers that an instrument has become impaired if the market value has fallen by 40% over a period of 18 months without the value having recovered.

In the case of equity instruments measured at fair value included in “Available-for-Sale Financial Assets”, the impairment loss is calculated as the difference between its acquisition cost and fair value less any previously recognised impairment losses. The unrealised losses recognised under “Equity - Valuation Adjustments” are recognised immediately in the income statement when the decline in fair value is deemed to be a result of impairment. If all or a portion of the impairment loss subsequently reverses, these amounts are recognised under “Equity - Valuation Adjustments”.

In the case of equity instruments measured at cost included under “Available-for-Sale Financial Assets” and equity investments in Group companies, jointly controlled entities and associates, impairment losses are calculated as the difference between the carrying amount and the recoverable amount, which is the higher of fair value less costs to sell and the present value of the future cash flows arising from the investment. Unless there is better evidence, the estimated impairment loss is based on the equity of the investee, adjusted for any unrealised gains existing at the date of measurement. These losses are recognised in the income statement as a direct reduction in the value of the equity instrument.

In the case of equity investments in Group companies, jointly controlled entities and associates that would have been determined for the investment at the date of reversal had no impairment loss been recognised, a reversal of an impairment loss is recognised as income up to the limit of the carrying amount. In the case of available-for-sale financial assets measured at cost, impairment losses recognised in prior years must not be reversed in a subsequent period.

i) <u>Financial liabilities</u>

1) Classification and measurement

1.1) Accounts payable

Accounts payable include the financial liabilities arising from the purchase of goods or services in the normal course of the Company's business and non-trade payables that are not derivative instruments.

They are initially recognised in the balance sheet at their fair value which, unless there is evidence to the contrary, is the transaction price, which is equal to the fair value of the consideration received, adjusted by the directly attributable transaction costs.

Subsequent to initial recognition, these financial liabilities are measured at amortised cost. The interest incurred is recognised in the income statement applying the effective interest method.

However, trade payables maturing within one year which do not have a contractual interest rate, and capital payments called by third parties which are expected to be paid at short term are measured at the related nominal value whenever the effect of not discounting the cash flows is not significant.

1.2) Held-for-trading financial liabilities:

"Held-for-Trading Financial Liabilities" includes financial liabilities issued in order to repurchase them at short term and derivative instruments not designated as hedges. These financial liabilities are recognised and measured using the same criteria as those applied to held-for-trading financial assets.

1.3) Derivative hedging instruments

Hedging derivatives include financial derivatives classified as hedging instruments. Financial instruments designated as hedging instruments or hedged items are accounted for as described in Note 4-j.

2) Derecognition

The Company derecognises financial liabilities when the obligations giving rise to them cease to exist.

An exchange of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability is accounted for in the same way.

The difference between the carrying amount of a financial liability or part of a financial liability derecognised, and the consideration paid, including the attributable transaction costs and any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

In an exchange of debt instruments with terms that are not substantially different, the original financial liability is not derecognised and the amount of fees paid is recognised as an adjustment to its carrying amount. The new amortised cost of the financial liability is determined by applying the effective interest rate, which is the rate that exactly discounts estimated cash payments to the carrying amount of the liability under the new terms.

j) Hedge accounting

The Company usually arranges fair value hedges to hedge the accounts receivable in foreign currency, cash flow hedges to hedge the loans received at floating interest rates and hedges of net investments in foreign operations in the US.

Hedges are only designated as such when they effectively eliminate the risk associated with the asset or the hedged position over the entire estimated term of the hedge, which means that at the date of arrangement the hedge is expected to be highly effective (prospectively) and that there must be sufficient evidence to indicate that the hedge has been effective during the term of the hedged item or position (retrospective effectiveness).

The hedges are documented adequately, including the way in which the Company expects to be able to achieve and assess hedge effectiveness, in accordance with the Company's risk management policy.

The Company assesses the effectiveness of the hedges by performing tests to check that the differences in the changes in value of the cash flows of the hedged item and the related hedge are within a range of 80% to 125% over the life of the transactions, thereby fulfilling the forecasts at the inception of the hedge.

If at any time this relationship is not achieved, the hedges no longer qualify for hedge accounting and are reclassified as trading derivatives.

For measurement purposes, the Company classifies the hedges in the following categories:

- Fair value hedges: these cover the risk of the exposure to changes in the fair value of receivables arising from exchange rate fluctuations. Changes due to exchange differences, in the value of both the hedging instrument and the hedged item, are recognised in the income statement.

- Cash flow hedges: cash flow hedges hedge exposure to the risk of changes in the cash flows attributable to changes in the interest rates on the loans received. Interest rate swaps are arranged to exchange floating rates for fixed rates. The portion of the gain or loss on the hedging instrument that has been determined to be an effective hedge is recognised temporarily in equity and is transferred to profit or loss in the year or years in which the hedge affects profit or loss.

- Hedges of a net investment in foreign operations: This hedge the foreign currency risk associated with the net investment in the US subsidiaries. The hedge is achieved through the USD loans that financed the acquisition of these investments. Any changes in value arising from the effects of changes in the exchange rate on hedging instruments and the effects of the investments in subsidiaries are recognised in the income statement.

k) <u>Treasury shares</u>

Treasury shares are deducted from equity for the amount of the consideration paid at the acquisition date, and gains or losses arising from their sale or retirement are not recognised in the income statement. The costs relating to treasury share transactions are recognised directly in equity as a reduction of reserves.

l) <u>Cash and cash equivalents</u>

“Cash and Cash Equivalents” includes cash on hand and in bank accounts and the short-term deposits and reverse repos that meet the following requirements:

- They are convertible into cash.
- They matured within three months from the acquisition date.
- They are not subject to a significant risk of changes in value.
- They form part of the Company's standard cash management policy.

For the purpose of the statement of cash flows, the circumstantial overdrafts that form part of the Company's cash management are deducted from the balances of cash and cash equivalents.

m) Grants

Grants are classified as non-refundable when the conditions established for their award have been met, at which time they are recognised directly in equity net of the related tax effect.

Refundable grants are recognised as liabilities until they become non-refundable. No income is recognised until that time.

Grants received to finance specific expenses are allocated to income in the year in which the related expenses are incurred. The grants received to acquire property, plant and equipment are recognised as income for the year in proportion to the depreciation taken on the assets for which the grants were received.

n) Provisions and contingencies

Provisions are recognised in the balance sheet when the Company has a present obligation (legal, contractual, constructive or implied) arising from past events with respect to which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the amount of which can be quantified.

Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer an obligation to a third party. When discounting is used, adjustments made to provisions are recognised as interest cost on an accrual basis. In the case of provisions maturing within or at one year, discounting is not used if the effect thereof is not material. Provisions are reviewed at the end of each reporting period and are adjusted in order to reflect the best current estimate of the related liability at any given time.

o) Long-term employee benefit obligations

In accordance with the current collective and its non-statutory agreements, the Company is obliged to make annual supplementary payments of various kinds and other bonuses for long service and retirement to its permanent employees who retire at the legally stipulated age or who take early retirement. At present, the Company only has these possible obligations to certain of its current employees.

The provision recognised for long-service bonuses represents the present value, calculated by an independent actuary, of the possible future payment obligations of the Company to these employees.

The provision for possible retirement and similar obligations was externalised pursuant to current legislation. As a result of this externalisation, the Company is obliged to make annual contributions to an external pension fund for the group of employees concerned, for an estimated annual amount that is not material.

In addition, the Company grants its employees certain voluntary retirement bonuses of undetermined amount. These bonuses, which are scantly material, are recognised as an expense when they are paid.

p) Income tax

The current income tax expense is calculated by aggregating the current tax arising from the application of the tax rate to the taxable profit (tax loss) for the year, after deduction of the tax relief and credits, plus the changes in deferred tax assets and liabilities recognised in the year. The current income tax expense is recognised in the income statement, except when it corresponds to transactions recognised directly in equity, in which case the related tax is also recognised in equity, and to business combinations, in which case it is charged or credited to goodwill.

Deferred taxes are recognised for temporary differences existing at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts. The tax base of an asset or liability is taken to be the amount attributed to that asset or liability for tax purposes.

The tax effect of temporary differences is recognised under “Deferred Tax Assets” and “Deferred Tax Liabilities” in the balance sheet.

The Company recognises deferred tax liabilities for all taxable temporary differences, with the exceptions provided for in current legislation.

The Company recognises deferred tax assets for all deductible temporary differences, unused tax assets and tax loss carryforwards to the extent that it is considered probable that the Company will have taxable profits in the future against which the deferred tax assets can be utilised, with the exceptions provided for in current legislation.

At the end of each reporting period, the Company assesses the deferred tax assets recognised and those that were previously unrecognised. On the basis of this assessment, the Company derecognises a previously recognised asset if its recovery is no longer probable and recognises a previously unrecognised deferred tax asset whenever it is probable that the Company will have taxable profits in the future against which the deferred tax assets can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, pursuant to the approved legislation in force, and based on the way in which the deferred tax asset is reasonably expected to be recovered or the deferred tax liability is reasonably expected to be settled.

Deferred tax assets and liabilities are not discounted and are classified as non-current assets and liabilities.

q) Non-current assets and disposal groups classified as held for sale

The Company classifies assets under “Non-Current Assets Classified as Held for Sale” if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and the following requirements are met:

- They are available for immediate sale in their present condition, subject to the usual terms and conditions of sale.
- Their sale is highly probable.

Non-current assets classified as held for sale are carried at the lower of carrying amount and fair value less costs to sell, except for deferred tax assets, assets arising from employee benefits and financial assets that do not relate to investments in Group companies, jointly controlled entities and associates, all of which are accounted for in accordance with the standards applicable to them. These assets are not depreciated but rather, whenever necessary, the appropriate valuation adjustments are made to ensure that the carrying amount is not higher than fair value less costs to sell.

The disposal groups classified as held for sale are measured in accordance with the same rules indicated in the previous paragraph. Once this measurement has been made, the disposal group as a whole is measured at the lower of carrying amount and fair value less costs to sell.

The associated liabilities are classified under "Liabilities Associated with Non-Current Assets Classified as Held for Sale".

r) Current/Non-current classification

Assets and liabilities are classified in the balance sheet as current and non-current items. For this purpose, assets and liabilities are classified as current when they relate to the Company's normal operating cycle and are expected to be sold, consumed, realised or settled during its normal operating cycle. Current assets and liabilities also include items expected to mature or be disposed of or realised within a maximum of twelve months, items held for trading and cash or cash equivalents the use of which is unrestricted for a period exceeding one year.

s) Revenue and expense recognition

Revenue and expenses are recognised on an accrual basis, regardless of the related collection or payment date.

Revenue from sales and services rendered

Revenue is recognised when it is probable that the economic benefits or returns associated with the transaction will flow to the Company and these benefits and the costs incurred or to be incurred can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of any discounts, price rebates and any other similar items that the Company might grant, and any interest included in the nominal amount of the receivables. Indirect taxes on the transactions chargeable to third parties do not form part of revenue.

Revenue is accounted for in accordance with the economic substance of the transaction and is recognised when all of the following conditions have been met:

a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods, irrespective of their date of transfer for legal purposes;

b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Company; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

t) <u>Discontinued operations</u>

Income and expenses from discontinued operations are included in a single line item, net of the related tax effect, under “Profit/Loss for the Year from Discontinued Operations Net of Tax”. Also included in this heading is the gain or loss after tax resulting from the measurement at fair value less costs to sell of the assets or disposal groups constituting the discontinued operation.

u) <u>Foreign currency transactions</u>

The Company's functional and reporting currency is the euro.

Foreign currency transactions are translated on initial recognition at the spot exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated to euros at the spot exchange rates prevailing at year-end. Any resulting gains or losses or those arising when the assets are realised or the liabilities are settled are recognised directly in the income statement in the year in which they arise.

Non-monetary assets and liabilities carried at historical cost are translated to euros at the exchange rates prevailing at the transaction date. As an exception, as indicated in Note 4-j, changes in value arising from the effect of exchange rates on the investments in US subsidiaries are recognised by adjusting the value of these investments with a charge or credit to income.

Non-monetary items carried at fair value are translated to euros at the exchange rates prevailing at the date on which the fair value was determined. The resulting gains or losses are recognised directly in equity if the non-monetary item is recognised in equity and in the income statement if the non-monetary item is recognised in profit or loss for the year.

v) <u>Environmental assets and liabilities</u>

Expenses relating to the decontamination and restoration of polluted sites, waste disposal and other expenses arising from compliance with environmental legislation are recognised as an expense in the year in which they are incurred, unless they relate to the cost of acquiring assets to be used on a lasting basis whose main purpose is to minimise environmental impact and to protect and improve the environment, in which case they are recognised in the corresponding line items under “Property, Plant and Equipment” and are depreciated using the same criteria.

x) <u>Termination benefits</u>

Under current legislation, the Company is required to pay termination benefits to employees terminated under certain conditions. Therefore, termination benefits that can be reasonably quantified are recognised as an expense in the year in which the decision to terminate the employment relationship is taken.

(Expressed in thousands of euros)

y) Related party transactions

The Company performs all its transactions with related parties on an arm's length basis. Also, the transfer prices are adequately supported and, therefore, the Company's directors consider that there are no material risks in this connection that might give rise to liabilities in the future.

5. INTANGIBLE ASSETS

The detail of “Intangible Assets” and of the changes therein in 2011 and 2010 is as follows:

Net amounts	Trademarks and patents	Computer software	Total
Balance at 31 December 2009	5,515	0	**5,515**
Balance at 31 December 2010	25	1,669	**1,694**
Balance at 31 December 2011	11,456	1,443	**12,899**

Gross amounts	Trademarks and patents	Computer software	Total
Balance at 31 December 2009	**12,015**	**94**	**12,109**
Business combinations			0
Increases in 2010		1,862	1,862
Decreases in 2010	(9,298)		(9,298)
Translation differences			0
Transfers			0
Balance at 31 December 2010	**2,717**	**1,956**	**4,673**
Business combinations			0
Increases in 2011	11,431	260	11,691
Decreases in 2011			0
Translation differences			0
Transfers			0
Balance at 31 December 2011	**14,148**	**2,216**	**16,364**

Accumulated amortisation	Trademarks and patents	Computer software	Total
Balance at 31 December 2009	**(6,500)**	**(94)**	**(6,594)**
Business combinations			0
Increases in 2010		(193)	(193)
Decreases in 2010	3,808		3,808
Translation differences			0
Transfers			0
Balance at 31 December 2010	**(2,692)**	**(287)**	**(2,979)**
Business combinations			0
Increases in 2011		(486)	(486)
Decreases in 2011			0
Translation differences			0
Transfers			0
Balance at 31 December 2011	**(2,692)**	**(773)**	**(3,465)**

At 31 December 2011, the Company had fully amortised patents and trademarks amounting to EUR 2,600 thousand (31 December 2010: EUR 2,600 thousand).

None of the intangible assets are located outside Spain, except for the Portuguese trademark “Saludaes”, acquired in 2011. At the end of 2011 there were no firm intangible asset purchase commitments.

In 2011 the “Saludaes” and “Lassie” trademarks of the rice business products marketed in Portugal and the Netherlands, respectively, were acquired for EUR 8,000 thousand and EUR 3,431 thousand, respectively.

The remaining additions in 2011 relate to new investments in computer software to renew and extend the systems.

In 2010, as part of the sale of the dairy product business, the trademarks and trade names related to the aforementioned business were sold, giving rise to a gain of EUR 175,565 thousand, which was recognised under “Impairment and Gains or Losses on Disposals of Non-Current Assets” in the 2010 income statement.

In relation to the increases in 2010, in January the Company acquired all the equipment and some of the employees of the systems department of Puleva Food, S.L. (wholly-owned subsidiary of Ebro Foods, S.A. until it was sold in August 2010). In particular, software applications amounting to EUR 324 thousand and computer hardware amounting to EUR 313 thousand were acquired from Puleva Food, S.L. In addition, Ebro Foods, S.A. was subrogated to Puleva Food, S.L. in the support agreements with third parties (creditors) and in the agreements for the provision of services to other Ebro Foods Group companies (debtors), while eleven employees from the systems department of Puleva Food, S.L. joined Ebro Foods, S.A.

Lastly, as indicated in Note 8-e, in September 2011 the Spanish National Competition Commission approved the acquisition of the SOS rice business in Spain, subject to the obligation that Ebro Foods, S.A. licence or transfer the Nomen, as well as the La Parrilla, La Cazuela, Pavo Real and Nobleza trademarks. This obligation is currently being performed and documented.

(Expressed in thousands of euros)

6. PROPERTY, PLANT AND EQUIPMENT

The detail of "Property, Plant and Equipment" and of the changes therein in 2011 and 2010 is as follows:

Net amounts	Land	Buildings	Plant and other items of property, plant and equipment	Property, plant and equipment in the course of construction and advances	Total
Balance at 31 December 2009	6,711	713	1,725	0	**9,149**
Balance at 31 December 2010	307	242	2,665	0	**3,214**
Balance at 31 December 2011	307	242	2,178	0	**2,727**

Gross amounts	Land	Buildings	Plant and other items of property, plant and equipment	Property, plant and equipment in the course of construction and advances	Total
Balance at 31 December 2009	**6,711**	**2,233**	**2,906**	**0**	**11,850**
Increases in 2010			1,460		1,460
Decreases in 2010	(4,424)	(1,083)	(93)		(5,600)
Transfers	(1,980)				(1,980)
Balance at 31 December 2010	**307**	**1,150**	**4,273**	**0**	**5,730**
Increases in 2011			151		151
Decreases in 2011					0
Transfers					0
Balance at 31 December 2011	**307**	**1,150**	**4,424**	**0**	**5,881**

Accumulated depreciation	Land	Buildings	Plant and other items of property, plant and equipment	Property, plant and equipmen in the course of construction and advances	Total
Balance at 31 December 2009	**0**	**(1,520)**	**(1,181)**	**0**	**(2,701)**
Increases in 2010		(18)	(440)		(458)
Decreases in 2010		630	13		643
Transfers					0
Balance at 31 December 2010	**0**	**(908)**	**(1,608)**	**0**	**(2,516)**
Increases in 2011			(638)		(638)
Decreases in 2011					0
Transfers					0
Balance at 31 December 2011	**0**	**(908)**	**(2,246)**	**0**	**(3,154)**

In 2011 there were no significant changes in property, plant and equipment.

In 2010 the most significant changes were as follows:

- Increase due to the computer hardware acquired in 2010 (see Note 5).
- Decrease due to the sale of non-current assets to Puleva Food, S.L. (land and buildings relating to a property adjacent to the Company's factory in Granada) prior to the sale of the dairy product business to third parties, for which a EUR 3,824 thousand loss was recognised.
- Transfer to investment property of a property that ceased to be used in operations in 2010.

Based on the estimates and projections available to the Company's directors, these items of property, plant and equipment pose no impairment problems.

The Company has taken out insurance policies that cover the carrying amount of the property, plant and equipment.

(Expressed in thousands of euros)

The detail of the fully depreciated assets included in property, plant and equipment at 31 December 2011 and 2010 is as follows:

	2011	2010
Other plant, tools and furniture	211	211
Other items of property, plant and equipment	670	481

At year-end there were no significant firm purchase commitments relating to new items of property, plant and equipment. There are no items of property, plant and equipment outside Spain.

Operating leases

The Company has leased its central offices in Madrid until 6 April 2015 and the Barcelona office (which opened in 2009) until 1 December 2013, as well as the systems work centre office in Granada. These leases will subsequently be automatically renewed if none of the parties object. In 2011 the expenses relating to these leases amounted to EUR 1,370 thousand (2010: EUR 1,256 thousand). The non-cancellable future minimum lease payments at 31 December 2011 were as follows:

	12/31/11
Within one year	1,370
Between one and five years	5,480
After five years	0
	6,850

(Expressed in thousands of euros)

7. INVESTMENT PROPERTY

The detail of "Investment Property" and of the changes therein in 2011 and 2010 is as follows:

Net amounts	Land	Buildings	**Total**
Balance at 31 December 2009	4,879	4,725	**9,604**
Balance at 31 December 2010	7,276	4,755	**12,031**
Balance at 31 December 2011	7,276	4,697	**11,973**

Gross amounts	Land	Buildings	Total
Balance at 31 December 2009	**4,879**	**5,756**	**10,635**
Increases in 2010	500	150	650
Decreases in 2010	(145)		(145)
Transfers of property, plant and equipment (Note 6)	2,042	(74)	1,968
Balance at 31 December 2010	**7,276**	**5,832**	**13,108**
Increases in 2011			0
Decreases in 2011			0
Transfers of property, plant and equipment			0
Balance at 31 December 2011	**7,276**	**5,832**	**13,108**

Accumulated depreciation	Land	Buildings	Total
Balance at 31 December 2009	**0**	**(1,031)**	**(1,031)**
Increases in 2010		(58)	(58)
Decreases in 2010			0
Transfers of property, plant and equipment (Note 6)		12	12
Balance at 31 December 2010	**0**	**(1,077)**	**(1,077)**
Increases in 2011		(58)	(58)
Decreases in 2011			0
Transfers of property, plant and equipment			0
Balance at 31 December 2011	**0**	**(1,135)**	**(1,135)**

In 2011 there were no significant changes in "Investment Property". In 2010 items of investment property were sold for a carrying amount of EUR 145 thousand, giving rise to a gain on these transactions of EUR 95 thousand.

There are no items of investment property outside Spain.

At 31 December 2011 the fully depreciated assets amounted to EUR 81 thousand (2010: EUR 81 thousand).

(Expressed in thousands of euros)

The expenses associated with investment property correspond to those relating to their annual depreciation and maintenance costs. In 2011 the latter amounted to EUR 344 thousand (2010: EUR 332 thousand). All the expenses are recognised in the income statement on an accrual basis. There are no contractual obligations relating to the acquisition, construction or development of investment property or repairs, maintenance or improvements.

The detail of the non-cancellable future minimum operating lease payments is as follows:

	12/31/11
Within one year	42
Between one and five years	168
After five years	0
	210

There are no restrictions on the realisation of the investment property, on the collection of the income therefrom or on the funds obtained from its sale or disposal by other means.

8. NON-CURRENT INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES

The detail of the investments in Group companies and of the changes therein in 2011 and 2010 were as follows:

	BALANCE AT 12/31/2010	Increases	Decreases	Transfers	BALANCE AT 12/31/11
Equity instruments of Group companies	1,182,278	158,115	(11,963)	(8,402)	1,320,028
Valuation adjustments	(32,030)	(16,348)	3,723	0	(44,655)
	1,150,248	**141,767**	**(8,240)**	**(8,402)**	**1,275,373**
Loans to Group companies	7,347	137,186	(9,526)	0	135,007
Loans to associates	0	0	0	0	0
	7,347	**137,186**	**(9,526)**	**0**	**135,007**
TOTAL INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES	**1,157,595**	**278,953**	**(17,766)**	**(8,402)**	**1,410,380**

	BALANCE AT 12/31/2009	Increases	Decreases	Transfers	BALANCE AT 12/31/2010
Equity instruments of Group companies	1,324,394	51,368	(193,484)	0	1,182,278
Valuation adjustments	(18,137)	(13,893)	0	0	(32,030)
	1,306,257	**37,475**	**(193,484)**	**0**	**1,150,248**
Loans to Group companies	32,545	348	(25,546)	0	7,347
Loans to associates	0	0	0	0	0
	32,545	**348**	**(25,546)**	**0**	**7,347**
TOTAL INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES	**1,338,802**	**37,823**	**(219,030)**	**0**	**1,157,595**

a) Equity instruments of Group companies:

The increases and decreases in 2011 and 2010 relate mainly to:

2011

1. Increase of EUR 3,967 thousand: the historical acquisition cost of the investment in Riviana Foods Inc. is EUR 240,753 thousand. However, an effective hedge was assigned to this financial asset that hedges its full value with the liability that finances it and, accordingly, any changes in value between the original currency, the US dollar, and its equivalent euro value gives rise to an adjustment that changes the aforementioned historical cost. In 2011 the adjustment led to an increase of EUR 3,967 thousand in its value credited to the income statement for the year. The total negative net accumulated adjustment at 31 December 2011 amounted to EUR 7,489 thousand.

2. Increase of EUR 3,392 thousand: the historical acquisition cost of the investment in New World Pasta Co. is EUR 285,884 thousand. However, an effective hedge was assigned to this financial asset that hedges its full value with the liability that finances it and, accordingly, any changes in value between the original currency, the US dollar, and its equivalent euro value gives rise to an adjustment that changes the aforementioned historical cost. In 2011 the adjustment led to an increase of EUR 3,392 thousand in its value credited to the income statement for the year. The total negative net accumulated adjustment at 31 December 2011 amounted to EUR 6,403 thousand.

3. Decrease of EUR 11,963 thousand as a result of the sale of a portion of the ownership interest in Biosearch, S.A. and the transfer of the remainder of the ownership interest, totalling EUR 8,402 thousand, to available-for-sale financial assets (see Note 9.1).

4. Increase of EUR 84,373 thousand in the investment in Herba Ricemills, S.L. as a result of a capital increase to finance the acquisition of the rice business in Spain of Deoleo and of the SOS trademark (see Note 8-e).

5. Increase of EUR 9,019 thousand in the investment in Herba Foods, S.L. arising from a capital increase to finance the acquisition of Deolo's rice business in the Netherlands (see Note 8-e).

6. Increase of EUR 9,076 thousand arising from the contribution to equity of the subsidiary Beira (Portugal), through the capitalisation of the loan it had granted to that company.

7. Increase of EUR 48,285 thousand arising from the capital increase in the subsidiary Birkel Teigwaren (Germany). This capital increase resulted from the restructuring in Germany of the three (directly and indirectly) wholly-owned subsidiaries of the Ebro Foods, S.A. Group that operate there. As a consequence of this restructuring, Birkel is now the parent of the German subgroup, and Ebro Foods, S.A. owns all the shares of this company, of which 68.9% are held directly and 31.1% indirectly.

<u>2010</u>

1. Increase of EUR 18,941 thousand: the historical acquisition cost of the investment in Riviana Foods Inc. is EUR 240,753 thousand. However, an effective hedge was assigned to this financial asset that hedges its full value with the liability that finances it and, accordingly, any changes in value between the original currency, the US dollar, and its equivalent euro value gives rise to an adjustment that changes the aforementioned historical cost. In 2010 the adjustment led to an increase of EUR 18,941 thousand in its value credited to the income statement for the year. The total negative net accumulated adjustment at 31 December 2010 amounted to EUR 11,456 thousand.

2. Increase of EUR 13,999 thousand: the historical acquisition cost of the investment in New World Pasta Co. is EUR 285,884 thousand. However, an effective hedge was assigned to this financial asset that hedges its full value with the liability that finances it and, accordingly, any changes in value between the original currency, the US dollar, and its equivalent euro value gives rise to an adjustment that changes the aforementioned historical cost. In 2010 the adjustment led to an increase of EUR 13,999 thousand in its value credited to the income statement for the year. The total negative net accumulated adjustment at 31 December 2010 amounted to EUR 9,795 thousand.

3. Decrease of EUR 2,581 thousand arising from the liquidation of the subsidiary Lince Insurance Ltd.

4. Increase of EUR 18,428 thousand arising from the contribution to equity of the subsidiary Birkel Teigwaren Gmbh, through the capitalisation of the loan it had granted to that company.

5. Increase of EUR 2 thousand arising from the acquisition of all the share capital of Networks Meal Solutions, S.A. This company, a wholly-owned subsidiary, was acquired from Puleva Food, S.L., prior to its sale on 2 September 2010.

6. Decrease of EUR 190,903 thousand as a result of the sale of all the shares in Puleva Food, S.L. and Lactimilk, S.A.

b) Long-term loans to Group companies:

The most significant items under loans to Group companies in 2011 and at 31 December 2011 (see Note 17), relate to the following:

- The loan granted in 2001 to Beira Terrace Soc. de Construçoes, Ltda., a wholly-owned Portuguese subsidiary, for the purchase of properties in Portugal, which was capitalised to the investment (see point a) above).
- And the account receivable resulting mainly from the dividend declared and accrued in 2011 by Panzani, SAS, a wholly-owned French subsidiary, which had an outstanding balance payable of EUR 135 million at 31 December 2011.

None of these loans have a specific maturity and they earn interest at 3-month Euribor plus 0.9%.

(Expressed in thousands of euros)

c) Valuation adjustments:

The increases in 2011 and 2010 correspond to the additional impairment losses recognised on the investments in Beira Terrace Soc. de Construçoes, Ltda., Birkel Teigwaren, Gmbh. and Dosbio, S.L., and, in 2010 they also related to the impairment loss recognised on the investment in Biosearch, S.A., which was allocated to profit or loss in 2011.

d) Sale of the ownership interest in Puleva Food, S.L. and Lactimilk, S.A. in 2010

On, 30 March 2010, Ebro Foods, S.A., which wholly-owned its dairy product business (shares of Puleva Food, S.L., shares of Lactimilk, S.A., and their trademarks) and Grupo Lactalis Iberia, S.A. (GLI), entered into an agreement for the sale and purchase of the companies composing the dairy product business. The sale transaction was completed in August 2010, and it was formally executed on 2 September 2010.

The terms and conditions of the transaction stipulated that GLI would purchase the dairy product business for an amount clear of debt of EUR 630 million, which, at the execution date, involved a total price of EUR 644 million, collected in full in 2010.

The accounting effects of this sale recognised in 2010 are summarised as follows, less the transaction costs:

	Cash flow realised	Cash flow not yet realised	Profit before tax
- Distribution of the share premium prior to its sale (recognised as a reduction in the value of the investment)	105,395		-
- Sale of trademarks relating to the dairy product business	181,055		175,565
- Sale of all the shares of Puleva Food, S.L. and Lactimilk, S.A.	458,977		373,468
- Provisions for litigation guaranteed by Ebro Foods (Note 14)	-	(28,231)	(28,231)
	745,427	**(28,231)**	**520,802**

e) Investment commitments

- On 25 November 2010, the Board of Directors of Ebro Foods, S.A. reached an agreement with the Board of Directors of the Deolo Group to acquire its rice division. Thus, on 31 March 2011, Ebro Foods, S.A. (Ebro) and SOS Corporación Alimentaria, S.A. (Deoleo) entered into a framework agreement for the acquisition by the Ebro Group of the rice businesses of Deoleo in Spain, the US, Saudi Arabia and the Netherlands and the SOS trademark all over the world. This agreement was entered into after that entered into on 30 March 2011 for the acquisition of the "Saludaes" trademark in Portugal. All of these acquisitions were made for a total of EUR 203.5 million.

  Once the approval of the US and Spanish competition authorities was obtained in June 2011, the acquisition of these businesses was formally executed in the third quarter of 2011. Ebro Foods, S.A. acquired the "Saludaes" trademark in Portugal and the "Lassie" trademark in the Netherlands, and the rest of Deolo's rice businesses were acquired by various subsidiaries wholly owned by Ebro Foods, S.A.

The Spanish National Competition Commission approved the acquisition of the rice business of SOS in Spain, subject to a commitment by Ebro to license or transfer the Nomen trademark and to sell the La Parrilla, La Cazuela, Pavo Real and Nobleza trademarks. This undertaking is currently in the process of being formally executed.

- In relation to the bid launched on 20 October 2010 for the acquisition of the Australian group Sunrice, at the Annual General Meeting of Ricegrowers Limited SunRice held on 31 May 2011 the shareholders decided not to accept the takeover bid made by Ebro Foods, S.A. In total, 67% of the class A shareholders and 76% of the class B shareholders voted in favour of accepting Ebro Foods, S.A.'s bid to purchase. Therefore the 75% qualified majority necessary in both classes for the acquisition to go ahead was not obtained.

The results of the Group companies indicated in the table at the end of this Note correspond in full to continuing operations.

None of the Group companies is officially listed, except for Biosearch, S.A. which in 2011 ceased to be a Group company.

The Company made the corresponding notifications to the investees provided for in the Spanish Limited Liability Companies Law.

(Expressed in thousands of euros)

The direct ownership interests of Ebro Foods, S.A. in Group companies and associates at 31 December 2011 are presented in the following table:

SUBSIDIARIES	Investment	Impairment loss (b)	Percentage of ownership	Registered office	Line of business	(a) Share capital and reserves	(a) 2011 profit (loss)	Dividend paid in 2011	Total shareholders' equity	Profit (Loss) from operations
Dosbio 2010, S.L.	21,519	(8,362)	100.00%	Madrid (Spain)	Farming	14,252	(1,095)	-	13,157	(1,835)
Fincas e Inversiones Ebro, S.A.	4,926	-	100.00%	Madrid (Spain)	Real estate	7,526	196	-	7,722	281
Azucarera Energías, S.A.	1,848	-	60.00%	Madrid (Spain)	Combined heat and pow er generation	1,761	159	-	1,920	160
Arotz Foods, S.A.	22,864	-	100.00%	Madrid (Spain)	Preservation of vegetables	29,866	415	-	30,281	(17)
Herba Foods S.L.	59,695	-	100.00%	Madrid (Spain)	Investment management	92,809	(332)	-	92,477	505
Herba Ricemills S.L	153,451	-	100.00%	Madrid (Spain)	Production and sale of rice	177,330	14,940	-	192,270	24,943
Herba Nutrición S.L	526	-	100.00%	Madrid (Spain)	Production and sale of rice	13,972	7,125	(9,896)	11,201	7,212
Jiloca Industrial, S.A.	1,500	-	100.00%	Teruel (Spain)	Production of organic fertilizer	1,683	411	(378)	1,716	632
Netw orks Meal Solutions, S.A.	2	-	100.00%	Madrid (Spain)	Inactive	1	(1)	-	0	(1)
Fundación Ebro	0	-	100.00%	Madrid (Spain)	Foundation	0	0	-	0	0
Beira Terrace Soc.de Const., Ltda.	12,436	(8,096)	100.00%	Oporto (Portugal)	Real estate	9,521	(185)	-	9,336	(47)
Riceland, Ltda. (*)	597	-	20.00%	Budapest (Hungary)	Production and sale of rice	1,029	1	-	1,030	80
Riviana Foods Inc (Group) (**)	233,264	-	75.00%	Houston (Texas-US)	Production and sale of rice	385,804	35,993	-	421,797	50,364
Panzani, SAS (Group)	440,838	-	100.00%	Lyon (France)	Production and sale of pasta and sauces	593,653	36,958	(140,001)	490,610	62,745
New World Pasta Comp. (Group)	279,481	-	100.00%	Harrisburg (US)	Production and sale of pasta and sauces	407,982	36,364	-	444,346	55,908
Birkel Teigw aren Gmbh (Group) (***)	87,078	(28,197)	68.90%	Germany	Production and sale of pasta and sauces	106,687	(10,023)	-	96,664	(10,855)
Ebro Foods Alimentación, S.A.	3	-	100.00%	Mexico	Sale of rice	3	0	-	3	0
TOTAL	**1,320,028**	**(44,655)**						**(150,275)**		

a) Whenever “Group” appears after the name of the subsidiary, the figures relating to share capital, reserves and results correspond to the consolidated figures of the aforementioned company and its subsidiaries and associates before the dividend for 2011 was paid. To unify the information presented on the various groups or companies, the figures relating to share capital, reserves and results are those obtained by applying the International Financial Reporting Standards adopted by the European Union.

(*) The company is a wholly-owned investee of Ebro Foods, S.A., which holds 20% directly and 80% indirectly through Herba Foods, S.L.

(**) Ebro Foods, S.A. owns all the shares of this company, of which 75% are held directly and 25% indirectly through Rivana's wholly-owned subsidiaries.

(***) The company is a wholly-owned investee of Ebro Foods, S.A., which holds 68.9% directly and 31.1% indirectly through its subsidiaries.

(Expressed in thousands of euros)

The direct ownership interests of Ebro Foods, S.A. in Group companies and associates at 31 December 2010 are presented in the following table:

SUBSIDIARIES	Investment	Impairment loss (b)	Percentage of ownership	Registered office	Line of business	(a) Share capital and reserves	(a) 2010 profit (loss)	Dividend paid in 2010	Total shareholders' equity	Profit (Loss) from operations
Dosbio 2010, S.L.	21,519	(7,104)	100.00%	Madrid (Spain)	Manufacture of flour	14,712	(459)	-	14,253	(985)
Fincas e Inversiones Ebro, S.A.	4,926	-	100.00%	Madrid (Spain)	Farming	8,157	90	(721)	7,526	110
Azucarera Energías, S.A.	1,848		60.00%	Madrid (Spain)	Combined heat and power generation	1,981	(220)	-	1,761	(231)
Arotz Foods, S.A.	22,864	-	100.00%	Madrid (Spain)	Preservation of vegetables	29,459	341	-	29,800	(109)
Herba Foods S.L.	50,676	-	100.00%	Madrid (Spain)	Investment management	84,513	(721)	-	83,792	(144)
Herba Ricemills S.L	69,078	-	100.00%	Madrid (Spain)	Production and sale of rice	76,524	16,444	-	92,968	20,798
Herba Nutrición S.L	526	-	100.00%	Madrid (Spain)	Production and sale of rice	16,100	6,784	(10,912)	11,972	9,688
Biosearch, S.A. (Puleva Biotech, S.A.)	20,365	(3,723)	50.90%	Granada (Spain)	Development and marketing of new products	27,328	432	-	27,760	1,014
Jiloca Industrial, S.A.	1,500	-	100.00%	Teruel (Spain)	Production of organic fertilizer	1,634	377	(329)	1,682	533
Networks Meal Solutions, S.A.	2	-	100.00%	Madrid (Spain)	Inactive	2	0	-	2	0
Fundación Ebro	0	-	100.00%	Madrid (Spain)	Foundation	0	0	-	0	0
Beira Terrace Soc.de Const., Ltda.	3,360	(2,911)	100.00%	Oporto (Portugal)	Real estate	619	(174)	-	445	(63)
Riceland, Ltda. (*)	597	-	20.00%	Budapest (Hungary)	Production and sale of rice	938	227	-	1,165	288
Riviana Foods Inc (Group) (**)	229,297	-	75.00%	Houston (Texas-US)	Production and sale of rice	339,517	34,259	-	373,776	41,980
Panzani, SAS (Group)	440,838	-	100.00%	Lyon (France)	Production and sale of pasta and sauces	556,119	37,473	-	593,592	62,490
New World Pasta Comp. (Group)	276,089	-	100.00%	Harrisburg (US)	Production and sale of pasta and sauces	353,866	47,746	-	401,612	66,010
Birkel Teigwaren Gmbh (Group)	38,793	(18,292)	100.00%	Germany	Production and sale of pasta and sauces	35,863	(14,251)	-	21,612	(5,649)
TOTAL	**1,182,278**	**(32,030)**						**(11,962)**		

(Expressed in thousands of euros)

9. FINANCIAL INSTRUMENTS

9.1 Financial assets

The detail of financial assets, except for the equity investments in Group companies, jointly controlled entities and associates (see Note 8) at 31 December 2011 and 2010 is as follows:

NON-CURRENT FINANCIAL INSTRUMENTS (Assets)	Equity instruments		Debt securities		Loans and receivables and derivatives		TOTAL	
Categories	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10
Assets at fair value through profit or loss:								
a) Held for trading							0	0
b) Other							0	0
Held-to-maturity investments							0	0
Loans and receivables					137,704	14,418	137,704	14,418
Available-for-sale financial assets:								
a) At fair value	45,428	99,331					45,428	99,331
b) At cost							0	0
Hedging derivatives							0	0
TOTAL	**45,428**	**99,331**	**0**	**0**	**137,704**	**14,418**	**183,132**	**113,749**

CURRENT FINANCIAL INSTRUMENTS (Assets)	Equity instruments		Debt securities		Loans and receivables and derivatives		TOTAL	
Categories	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10
Assets at fair value through profit or loss:								
a) Held for trading							0	0
b) Other							0	0
Held-to-maturity investments							0	0
Loans and receivables					32,100	21,635	32,100	21,635
Available-for-sale financial assets:								
a) At fair value							0	0
b) At cost							0	0
Hedging derivatives							0	0
TOTAL	**0**	**0**	**0**	**0**	**32,100**	**21,635**	**32,100**	**21,635**

<u>Available-for-sale financial assets</u>

1. Investment in Deoleo Corporación, S.A. (formerly SOS)

   "Available-For-Sale-Financial Assets" relates to the investment in SOS Corporación, S.A. in December 2010 through the subscription of 95,510,218 shares of the capital increase performed by the aforementioned company at a cost of EUR 0.5 per share, representing 9.3% of the share capital of SOS Corporación, S.A. This financial asset is recognised at fair value through equity, until it is derecognised or becomes impaired, at which time the amount thus recognised is allocated to the income statement.

(Expressed in thousands of euros)

At 31 December 2011, the fair value per the market price of this investment was EUR 41,069 thousand (31 December 2010: fair value of EUR 99,331 thousand), equivalent to EUR 0.43 per share, and, therefore, a net loss of EUR 40,784 thousand was recognised directly in equity (a gross loss of EUR 58,262 thousand less EUR 17,478 thousand of its tax effect).

2. Investment in Biosearch, S.A.

On 13 January 2011, the Board of Directors of Ebro Foods, S.A. resolved to sell to Grupo Lactalis Iberia, S.A. 17,252,157 shares representing 29.9% of the share capital of Biosearch, S.A. for a total price of EUR 8,281 thousand. Given that the shares were not sold at their underlying carrying amount (EUR 0.48 per share), this sale did not give rise to any gains or losses in the 2011 financial statements of Ebro Foods, S.A. Following this sale, Ebro Foods, S.A. no longer participates in the managing bodies of Biosearch S.A. This company has ceased to be a Group company investment and has been recognised as an available-for-sale financial asset. Following the sale in January 2011 of 29.9% of Biosearch, S.A., Ebro Foods, S.A. held 12,117,806 shares, of which 1,355,557 shares had been sold at 31 December 2011, leaving at that date 10,762,249 remaining shares representing 18.65% of the share capital of Biosearch, S.A.

This financial asset is recognised at fair value through equity, until it is derecognised or becomes impaired, at which time the previously recognised gains or losses are recognised in net profit or loss for the year. At 31 December 2011, the fair value per the market price of this investment was EUR 4,359 thousand, equal to EUR 0.405 per share, and, therefore, a net expense of EUR 2,172 thousand was recognised in equity (a gross expense of EUR 3,104 thousand less EUR 932 thousand of its tax effect).

<u>Loans and receivables</u>

	12/31/2011	12/31/2010
Non-current financial instruments		
Loans to Group companies (Notes 8 and 17)	135,007	7,347
Loans to third parties	2,550	6,924
Long-term deposits	147	147
	137,704	14,418
Current financial instruments		
Loans to Group companies (Notes 8 and 17)	15,036	0
Trade and other receivables (Note 10)	14,664	7,906
Loans to third parties	2,400	13,729
	32,100	21,635
TOTAL	**169,804**	**36,053**

(Expressed in thousands of euros)

The balance of “Loans to Third Parties” in 2011 (and 2010) relates mainly to:

- the deferred amount of the Alagón land sale, in accordance with the payment agreements reached in 2009, amounting to EUR 2,263 thousand (2010: EUR 4,663 thousand) at long term and EUR 2,400 thousand (2010: EUR 2,229 thousand) at short term. This loan earns implicit interest of 2.5% and matures in equal amounts in June 2012 and 2013.
- Also, in 2010 it related to the deferred collection due to the sale of the sugar business amounting to EUR 2,261 thousand at long term and EUR 11,500 thousand at short term. These loans were repaid in 2011.

Exchange differences recognised in profit or loss

The detail, by class of financial instrument, of the exchange differences recognised in profit or loss in 2011 and 2010 is as follows:

Exchange differences recognised in profit or loss as (expense)/income:	Loans and receivables		Equity instruments of Group companies		Loans and payables		TOTAL	
	2011	2010	2011	2010	2011	2010	2011	2010
- Due to transactions settled in the year	(905)	(75)	0	0	0	0	(905)	(75)
- Due to transactions yet to be settled at the end of the year	(645)	(2)	0	0	2,398	(2,701)	1,753	(2,703)
- Due to foreign currency hedges	0	0	7,359	32,940	(7,359)	(32,940)	0	0
Total expense/(income) recognised in the income statement for the year	**(1,550)**	**(77)**	**7,359**	**32,940**	**(4,961)**	**(35,641)**	**848**	**(2,778)**

9.2 Financial liabilities

The detail of “Financial Liabilities” at 31 December 2011 and 2010 is as follows:

NON-CURRENT FINANCIAL INSTRUMENTS (Liabilities)	Bank borrowings		Debt instruments and other marketable securities		Derivatives and other accounts payable		TOTAL	
Categories	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10
Accounts payable	231,957	279,518			27	27	231,984	279,545
Liabilities at fair value through profit or loss:								
a) Held-for-trading							0	0
b) Other							0	0
Hedging derivatives							0	0
Total	**231,957**	**279,518**	**0**	**0**	**27**	**27**	**231,984**	**279,545**

CURRENT FINANCIAL INSTRUMENTS (Liabilities)	Bank borrowings		Debt instruments and other marketable securities		Derivatives and other accounts payable		TOTAL	
Categories	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10
Accounts payable	58,022	39,674			12,887	60,566	70,909	100,240
Liabilities at fair value through profit or loss:								
a) Held-for-trading							0	0
b) Other							0	0
Hedging derivatives					0		0	0
Total	**58,022**	**39,674**	**0**	**0**	**12,887**	**60,566**	**70,909**	**100,240**

(Expressed in thousands of euros)

a) Bank borrowings: see Note 13

b) Derivatives and other payables:

The detail of the financial liabilities classified under “Derivatives and Other Payables” is as follows:

Thousands of euros	2011	2010
Non-current		
Derivatives	0	0
Guarantees	27	27
	27	**27**
Current		
Derivatives	0	0
Trade and other payable	11,511	13,730
Outstanding dividends payable	0	46,160
Other financial liabilities	1,376	676
	12,887	**60,566**

The interim dividend payable at 31 December 2010 related to the amount payable of the extraordinary dividend approved by the shareholders at the Annual General Meeting of 1 June 2010. It corresponded to the third and fourth instalment of the aforementioned dividend paid on 4 April and 4 July 2011.

c) Information on the nature and level of risk of financial instruments

The main objective of the capital management policy is to guarantee a financial structure based on compliance with prevailing legislation in the countries where the Group operates. In addition, the Group's capital management policy seeks to guarantee the maintenance of stable credit ratings and to maximise value for shareholders.

As a result of the business activities and operations performed, the Company has financial risks such as foreign currency and interest rate risks.

Interest rate risk: the Company is exposed to the risk of changes in market interest rates, mainly due to long-term payment obligations bearing floating interest. The policy consists of managing borrowing costs using, whenever necessary, a combination of fixed and floating interest rates. The policy is to reduce as far as possible the Company's exposure to this risk and, accordingly, it monitors intensively the changes in interest rates with the support required from external experts.

Whenever it is considered necessary, interest rate derivatives are arranged in which it is agreed to exchange, in certain periods, the difference between the amounts of fixed and floating interest calculated on the basis of the notional amount of the principal agreed upon between the parties. These derivative or structured instruments are designed to hedge the underlying payment obligations.

(Expressed in thousands of euros)

Foreign currency risk: as a result of the significant investments in the US, the Company's balance sheet could be significantly affected by fluctuations in the USD/EUR exchange rate. The Company attempts to mitigate the effect of its exposure to structural foreign currency risk by obtaining loans in USD. Accordingly, 67.7% of the investment in the US is hedged in this way.

At 31 December 2011, "Non-Current Payables - Bank Borrowings" included two loans totalling USD 374 million (2010: USD 411 million) (see Note 13) and "Non-Current Payables to Group Companies and Associates" included a loan of USD 62 million (2010: EUR 146 million) (see Note 17), which were designated as a hedge of the net investments in US subsidiaries, and are used to hedge the Company's exposure to the foreign currency risk on these investments. The gains or losses on the translation of these loans to euros are recognised in the income statement and the gains or losses recognised in the translation of the net investments in subsidiaries are offset for the same amount (see Notes 8-a and 9.1).

Liquidity risk: the Company manages the risk of a short-term lack of cash through a liquidity planning tool. This tool takes into account the maturity of the financial investments and the financial assets, as well as the cash flow projections relating to the transactions.

Ebro Foods, S.A. is the head of the consolidated Group consisting of it, as the parent, and the subsidiaries and associates with which it presents separately consolidated financial statements. This fact should be taken into consideration when assessing the purely circumstantial working capital position at the end of each year in the separate financial statements of Ebro Foods, S.A., which, as the head of the Group, has other financing options available to it, through the application of the dividend policy, for example.

10. TRADE AND OTHER RECEIVABLES

The detail of the trade receivables in 2011 and 2010 is as follows:

Thousands of euros	12/31/2011	12/31/2010
Trade receivables for sales and services	926	439
Receivable from Group companies and associates (Note 17)	8,238	6,397
Sundry accounts receivable	0	1
Employee receivables	127	79
Current tax assets (Note 15)	2,303	177
Other accounts receivable from public authorities (Note 15)	3,070	813
	14,664	**7,906**

Valuation adjustments: "Trade Receivables for Sales and Services" is presented net of write-downs. In 2011 (and 2010) there were no changes, and the impairment losses at 31 December 2011 amounted to EUR 15 thousand (2010: EUR 15 thousand).

The balance of "Trade Receivables for Sales and Services" is denominated in full in euros.

11. CASH AND CASH EQUIVALENTS

Cash equivalents normally relate to bank deposits which mature within three months from the acquisition date, and bank deposits maturing at over three months, immediately available without any type of penalty.

There are no restrictions on the availability of cash.

12. SHAREHOLDERS' EQUITY

a) Registered share capital: at 31 December 2011 and 2010, the share capital was represented by 153,865,392 fully subscribed and paid bearer shares of EUR 0.60 par value each traded on the Spanish Stock Exchanges. All the shares are of the same class and confer the same rights.

   At 31 December 2011 and 2010, the direct and indirect ownership interests in the share capital of Ebro Foods, S.A. held by shareholders owning more than 3% of the capital, is as follows, according to the information furnished to the Spanish National Securities Market Commission (CNMV) and to Ebro Foods, S.A.:

   - Instituto Hispánico del Arroz, S.A.: direct holder of 13,588,347 (2010: 13,588,347) shares representing 8.831% (2010: 8.831%) and indirect holder, through Hispafoods Invest, S.L., of 10,600,210 (2010: 10,600,210) shares representing 6.889% (2010: 6.889%). In total, holder of 24,188,557 (2010: 24,188,557) shares representing 15.721% (2010: 15.721%).

   - Sociedad Anónima Damm: indirect holder, through Corporación Económica Damm, S.A., of 14,850,000 (2010: 14,350,000) shares representing 9.651% (2010: 9.326%).

   - Sociedad Estatal de Participaciones Industriales: indirect holder, through Alimentos y Aceites, S.A., of 15,721,882 (2010: 13,315,016) shares representing 10.218% (2010: 8.654%).

   - Corporación Financiera Alba, S.A.: indirect holder, through Alba Participaciones, S.A., of 12,498,830 (2010: 8,777,719) shares representing 8.123% (2010: 5.705%). It became a significant shareholder on 9 September 2010.

   - Lolland, S.A.: indirect holder, through Casa Grande Cartagena, S.L., of 5,193,290 (2010: 9,707,778) shares representing 3.375% (2010: 6.309%).

b) Share premium: the Consolidated Spanish Limited Liability Companies Law expressly permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use.

c) Legal reserve: Spanish companies that report a profit for the year must transfer 10% of that net profit to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve cannot be distributed except in the event of dissolution but it can be used to offset losses, provided that sufficient other reserves are not available for this purpose, and to increase capital, provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. At 31 December 2011 and 2010, the Parent's legal reserve had reached the legally required minimum.

d) Voluntary reserve: this is an unrestricted reserve with the limitations imposed by Spanish corporate law in relation to unamortised research and development expenditure.

e) Revaluation reserve Law 7/1996, of 7 June: as a result of revaluations made in the past by Sociedad General Azucarera de España, S.A. and Puleva S.A. pursuant to Royal Decree-Law 7/1996, of 7 June, revaluation reserves of EUR 21,767 thousand were recognised. Following the spin-off of the sugar line of business in 2001 and the dissolution of A.E. Gestion de Patrimonio, S.L. in 2003, EUR 3,169 thousand of these reserves remained in the Company's balance sheet (included in “Other Reserves”).

This balance can be used, free of tax, to offset accounting losses (both prior years' accumulated losses and current year losses) or losses which might arise in the future, and to increase share capital. From 1 April 2007, the balance of this account can be taken to unrestricted reserves, provided that the monetary surplus has been realised.

The surplus will be deemed to have been realised in respect of the portion on which depreciation has been taken for accounting purposes or when the revalued assets have been transferred or derecognised. If the balance of this account were used in a manner other than that provided for in Royal Decree-Law 7/1996, it would be subject to tax.

f) Treasury shares: in 2010 the Parent was authorised by the shareholders at the Annual General Meetings held on 28 April 2009 and 2 June 2010 to purchase and sell treasury shares, and, in accordance with current legislation, the Spanish National Securities Market Commission (CNMV) was notified accordingly. No shares were acquired in 2010 and 666,469 treasury shares were sold. At 31 December 2010, the Company held no treasury shares.

In 2011, the Parent made treasury share purchases and sales pursuant to authorisations granted by the shareholders at the Annual General Meetings held on 2 June 2010 and 15 June 2011, and, in accordance with current legislation, the Spanish National Securities Market Commission (CNMV) was notified accordingly. In 2011 4,087,972 treasury shares were acquired and 703,878 were sold. At 2011 year-end the Parent held 3,384,094 treasury shares representing 2.199% of its share capital. At 2011 year-end no decision had been taken regarding the specific use to which these treasury shares would be put.

g) Dividends paid in 2011:

Distribution of dividends approved by the shareholders at the Annual General Meeting on 15 June 2011: on the basis of the Ebro Foods Group’s consolidated profit for 2010, it was resolved to distribute an ordinary dividend payable in cash out of unrestricted reserves of EUR 0.416 per share in four quarterly payments of EUR 0.104 each, on 4 April, 4 July, 3 October and 22 December 2011, for a total of EUR 64,008 thousand.

Also, on a separate basis, in 2011 the third and fourth payments of EUR 0.15 per share were made (on 4 April and 4 July 2011) as part of the extraordinary dividend approved by the shareholders at the Annual General Meeting on 2 June 2010 as a result of the sale of the diary product business in the same year.

Lastly, on 15 June 2011, the Board of Directors resolved to distribute an interim dividend of EUR 0.15 per share, totalling EUR 23,080 thousand, corresponding to 2011 (see Note 3). The interim dividend payments were made on 3 October and 22 December 2011 and amounted to EUR 0.075 per share.

h) Valuation adjustments

See comments in Note 9.1

13. BANK BORROWINGS

The detail of "Non-Current Payables - Bank Borrowings" and "Current Payables - Bank Borrowings" at 31 December 2011 and 2010 is as follows (in thousands of euros):

	2011	2011	2010	2010
	Non-current	Current	Non-current	Current
Non-current bank borrowings drawn down in euros	-	-	-	-
Non-current bank borrowings drawn down in US dollars	231,957	57,009	279,518	27,602
Current credit facilities in euros	-	308	-	12,037
Unmatured accrued interest	-	705	-	35
TOTAL	**231,957**	**58,022**	**279,518**	**39,674**

The long-term bank loans financed the investments in Riviana Inc (2004), Panzani SAS (2005) and New Word Pasta Company (2006), are guaranteed by the subsidiaries Herba Food, S.L., Herba Ricemills, S.L., Panzani SAS and Riviana Foods Inc., and correspond to:

- A syndicated loan agreement entered into in November 2004, novated in May 2005 and again in November 2006 and April 2009, amounting to EUR 287.9 million, which was repaid in full in 2010 in accordance with the repayment schedule.

- A syndicated loan agreement entered into in May 2005, novated in November 2006, April 2009 and August 2010, amounting, at 31 December 2011, to USD 184.2 million (an initial USD 440 million less USD 44 million repaid early in the April 2009 novation and less USD 175 million repaid early in the August 2010 novation), the principal of which will be repaid in six half-yearly instalments of USD 36.8 million from October 2011 onwards. This US dollar loan bears annual interest at 1-, 3-, 6- or 12-month LIBOR plus a market spread.

- Bilateral loan agreement entered into in November 2006 and novated in April 2009 and July 2010, amounting to USD 190 million, the principal of which will be repaid in four half-yearly instalments of USD 47.5 million from May 2015 onwards. This US dollar loan bears annual interest at 1-, 3-, 6- or 12-month LIBOR plus a market spread.

(Expressed in thousands of euros)

The Company must achieve at all times certain ratios over the term of the aforementioned loans based on the consolidated financial statements of the Group of which the Company is the parent. The failure to achieve these ratios would increase borrowing costs and, depending on the cases, lead to a situation that could trigger the early repayment of the loans. At 31 December 2011 and 2010, all the ratios were being achieved.

In addition, at 31 December 2011, the Company had credit facilities at banks with a limit of EUR 49 million (2010: EUR 57 million) arranged as unsecured credit facilities, against which a total of EUR 308 thousand had been drawn down (2010: EUR 12,037 thousand). The average annual interest rate on these borrowings, excluding the long-term loans, is 3-month EURIBOR plus an average market spread of 1.3% (2010: 1%).

Also, the guarantees and other bank guarantees granted to third parties totalled EUR 18,701 thousand at 31 December 2011 (31 December 2010: 39,253 thousand) (see Note 16).

The repayment schedule of the bank borrowings is as follows:

Maturing in 2012	USD 73,666 thousand (EUR 57,009 thousand at 12/31/11)
Maturing in 2013	USD 73,666 thousand (EUR 57,009 thousand at 12/31/11)
Maturing in 2014	USD 36,833 thousand (EUR 28,504 thousand at 12/31/11)
Maturing in 2015	USD 95,000 thousand (EUR 73,222 thousand at 12/31/11)
Maturing in 2016	USD 95,000 thousand (EUR 73,222 thousand at 12/31/11)

14. LONG-TERM PROVISIONS

The detail of the provisions and of the changes therein in 2011 and 2010 is as follows:

LONG-TERM PROVISIONS	Employee benefit obligations			Other provisions for contingencies				
Thousands of euros	Long-service bonuses	Long-term remuneration	Total	Guarantees for sugar business sale	Guarantees for dairy product business sale	Other	Total	Total
Beginning balance: 31 December 2009	351	3,800	**4,151**	59,077	-	2,189	**61,266**	**65,417**
- Charge for the year	54	449	503	13,064	28,231	-	41,295	41,798
- Amounts used	-	(3,800)	(3,800)	(27,902)	-	(2,189)	(30,091)	(33,891)
- Adjustments due to the effect of the discount rate	-	-	-	1,416	175	-	1,591	1,591
Ending balance: 31 December 2010	405	449	**854**	45,655	28,406	-	**74,061**	**74,915**
- Charge for the year (reversal of provision)	18	420	438	(19,362)	-	-	(19,362)	(18,924)
- Amounts used	(40)	-	(40)	(18,865)	-	-	(18,865)	(18,905)
- Adjustments due to the effect of the discount rate	-	-	-	1,116	419	-	1,535	1,535
Ending balance: 31 December 2011	383	869	**1,252**	8,544	28,825	-	**37,369**	**38,621**

Provision for contingencies - Guarantees arising from the sale of the sugar business

At 31 December 2011, this heading included a provision of EUR 8,544 thousand (2010: EUR 45,655 thousand) to cover the buyer in the sale in 2009 of the sugar business from the litigation in progress relating to Azucarera Ebro, S.L.

The provision for the outcome of litigation relating to the sale of the sugar business relates to the guarantees provided to the buyer of the business which, in the event of an unfavourable outcome of the litigation, would lead to a reduction in the selling price of the sugar business. The provisions or reversals recognised constitute an adjustment to the selling price and, consequently are recognised as a decrease or increase in the gains of the year in which they are recognised or reversed.

Developments in 2011: In relation to these lawsuits, in 2011 a total of EUR 18,865 thousand were paid out of the guarantees provided in the sale of the sugar business, most of which, EUR 16,575 thousand, was paid to the buyer of this business as interest payments arising from the unfavourable judgment of the Criminal Chamber of the Supreme Court (on 20 July 2010, this Chamber handed down an unfavourable judgment whereby Ebro Foods, S.A. was required to pay EUR 27.6 million on 21 July 2010, although the related interest remained outstanding until its payment in March 2011). Also, the portion of this provision (EUR 19,362 thousand) reversed in 2011 related mainly to another of the lawsuits in process on which the Supreme Court handed down a favourable judgment on 24 January 2012, giving rise to the reversal of the provision covering this litigation.

With respect to the remaining guarantees for which provisions were recognised at 31 December 2011, there were no material changes in their position compared to the previous year.

Provision for contingencies - Guarantees arising from the sale of the dairy product business

At 31 December 2011, the balance of this provision, amounting to EUR 28,825 thousand (2010: EUR 28,406 thousand), covered the buyer in the sale in 2010 of the dairy product business in connection with the resolution of the litigation in progress relating to Puleva Food, S.L.

The provision for the outcome of litigation relating to the sale of the dairy product business relates to the guarantees provided to the buyer of the business which, in the event of an unfavourable outcome of the litigation, would lead to a reduction in the selling price of the dairy product business. The provisions or reversals recognised constitute an adjustment to the selling price and, consequently are recognised as a decrease or increase in the gains in the year in which they are recognised or reversed.

With respect to these guarantees for which provisions were recognised, there were no material changes in their position compared to the previous year.

(Expressed in thousands of euros)

Provision for long-service bonuses

Certain employees of Ebro Foods, S.A. are beneficiaries of long-service bonuses for 25 and 40 years of service covered by an in-house provision at the Company. The provision of EUR 383 thousand (2010: EUR 405 thousand) recognised for these long-service bonuses at 31 December 2011 represents the present value, calculated by an independent actuary, of the possible future payment obligations of the Company to its employees. The basic assumptions used in the latest actuarial study at 31 December 2011 (2010), were as follows:

a) Applied annual discount rate of 4.93% (2010: 4.08%)
b) Increase in salaries: a cumulative annual increase of 3% was assumed (2010: 3%).
c) Mortality and life expectancy tables: PERM/F 2000P tables

Provision for long-term remuneration of executives

In 2010 settlement of the Multi-Year Incentive Plan associated with the Ebro Group's 2007-2009 Strategic Plan was made. The provisions for 2011 and 2010 relate to the new 2010-2012 Plan (see Note 18).

15. TAX MATTERS

The detail of the tax receivables and payables at 31 December 2011 and 2010 is as follows:

Thousands of euros	12/31/11	12/31/10
Current		
Current tax assets	2,303	177
Other accounts receivable from public authorities	3,070	813
Current tax liabilities	-	(903)
Other accounts payable to public authorities	(5,321)	(6,061)
	52	(5,974)
Non-current		
Deferred tax assets	14,945	15,629
Deferred tax liabilities	(32,140)	(49,186)
	(17,195)	(33,557)

Under current legislation, taxes cannot be deemed to have been definitively settled until the tax returns filed have been reviewed by the tax authorities or until the statute-of-limitations period has expired.

In May 2011, the Company was notified of the commencement of a tax audit for 2004 to 2007, inclusive. The tax audit concluded with the related tax assessments being signed on an uncontested basis in March 2012, giving rise to an amount payable of approximately EUR 2,500 thousand. This amount was provisioned in full in the 2011 financial statements. Additionally, the Company has all years since 2008 open for review for all taxes applicable to it. The Company’s directors do not consider it necessary to recognise provisions for any possible further contingencies that could arise from the various interpretations of the tax legislation.

(Expressed in thousands of euros)

The taxable profit, calculated pursuant to tax legislation, is taxed at 30%.

15.1. The consolidated tax group comprises:

Ebro Foods, S.A. (head of the tax group), Network Meal Solutions, S.L., Fincas e Inversiones Ebro, S.A., Dosbio 2010, S.L., Arotz Foods, S.A., Herba Foods, S.L., Herba Ricemills, S.L. and subsidiaries, Herba Nutrición, S.L., Fallera Nutrición, S. L. and Jiloca, S.A.

15.2 The reconciliation of the net income and expense for the year to the taxable profit (tax loss) for 2011 and 2010 is as follows:

Income tax	**2011**		**2010**	
Thousands of euros	**Devengado**	**Fiscal**	**Devengado**	**Fiscal**
Profit before tax from continuing operations	**143,632**	143,632	**468,895**	468,895
Permanent differences	(139,626)	(139,626)	2,396	2,396
Permanent differences due to tax consolidation adjustments	(10,273)	(10,273)	(11,962)	(11,962)
Adjusted accounting profit	**(6,267)**	**(6,267)**	**459,329**	**459,329**
Temporary differences arising during the year		4,589		12,067
Temporary differences arising in other years		(6,856)		(14,341)
Temporary differences due to tax consolidation adjustments		1,258		0
Taxable profit of the Company	**(6,267)**	**(7,276)**	**459,329**	**457,055**
Tax charge at 30%	(1,880)	(2,183)	137,799	137,117
Tax credits	(8,747)	(8,747)	(38,477)	(38,557)
Prior year's tax adjustment	705	0	5,413	0
TOTAL INCOME TAX: Expense (Income)	**(9,922)**	**(10,930)**	**104,735**	**98,560**

The reconciliation of the net income tax payable of Ebro Foods, S.A. to the net income tax payable arising from the consolidation of all the tax payables of the tax group companies is as follows:

	2011	**2010**
Net tax payable by Ebro Foods, S.A.	(10,930)	98,560
Prepayments made during the year	0	(105,453)
Withholdings	(2,080)	(477)
Net tax payable from prior years	(179)	0
Net tax payable by the rest of the companies in the tax group	10,886	8,273
Tax payable by (refundable to) the Tax Group	**(2,303)**	**903**

(Expressed in thousands of euros)

15.3 The reconciliation of the income tax expense and the result of multiplying the tax rates applicable to the total recognised income and expense, detailing the balance in the income statement, is as follows:

Thousands of euros	Income statement	
	2011	**2010**
Profit before tax from continuing operations	143,632	468,895
Applicable tax rate	30%	30%
Theoretical tax charge	**43,090**	**140,669**
Effect of:		
Non-deductible expenses	140	752
Dividends within the tax group	(3,082)	(3,589)
Dividends within the business group	(42,000)	0
Tax credits and other	(8,070)	(33,097)
	(9,922)	**104,735**
Tax expense (detail):		
Current	(10,930)	98,560
Deferred	303	762
Adjustment	705	5,413
Effective tax expense (income)	**(9,922)**	**104,735**

15.4 The detail of the temporary differences in 2011 and 2010 at Ebro Foods, S.A. is as follows:

TEMPORARY DIFFERENCES - Increases	**2011**	**2010**
Charge to long-term provision for remuneration	420	503
Impairment loss on group companies	3,940	15,723
Amortisation of trademarks for tax purposes	0	1,830
Deferral of tax credit for foreign investment	0	7,500
Charge to provision for remuneration and termination benefits	2,287	0
Total increases	**6,647**	**25,556**
TEMPORARY DIFFERENCES - Decreases	**2011**	**2010**
Tax expense relating to amortisation of merger goodwill	2,007	2,007
Provision used for long-term remuneration	0	3,800
Temporary difference relating to the amortisation of goodwill for ta	3,746	18,731
Amortisation of trademarks for tax purposes	1,903	1,103
Other non-deductible provisions	0	2,189
Total decreases	**7,656**	**27,830**
Total net temporary differences	**(1,009)**	**(2,274)**

(Expressed in thousands of euros)

15.5 The detail of the permanent differences in 2011 and 2010 at Ebro Foods, S.A., is as follows:

PERMANENT DIFFERENCES - Increases	2011	2010
Increases:		
Donations	448	299
Impairment loss on Group and other companies	0	2,189
Other non-deductible expenses	19	17
Total increases	**467**	**2,505**
PERMANENT DIFFERENCES - Decreases		
Adjustments for dividends of tax group subsidiaries	10,273	11,962
Adjustments for dividends of foreign subsidiaries	140,001	0
Amortisation of goodwill for tax purposes	92	109
Other non-computable income		0
Total decreases	**150,366**	**12,071**
Total net permanent differences	**(149,899)**	**(9,566)**

15.6 The tax credits obtained by Ebro Foods, S.A. in 2011 and 2010 relate mainly to donations, the reinvestment of gains from asset sales and, in 2010, to the double taxation of dividends (due mainly to the tax credit arising on the sale of Puleva Food, S.L. and Lactimilk, S.A. in 2010).

The reinvestments made by the Spanish tax group that entitled it to take tax credits for reinvestment amounted to EUR 115.3 million in 2011 (2010: EUR 57.3 million) (EUR 1.5 million, EUR 16.2 million, EUR 11.2 million and EUR 76.3 million, in the period from 2009 to 2006, respectively. These amounts were reinvested by the tax group in each of the aforementioned years). Also, the other requirements to be able to take these tax credits for tax purposes were met.

In addition, at 31 December 2011, there were unused reinvestment tax credits amounting to EUR 38.3 million, which are conditional upon reinvestment by the Spanish tax group of EUR 692 million (within a time frame that ends mainly in August 2013).

(Expressed in thousands of euros)

15.7 The changes in 2011 and 2010 in the deferred tax assets and liabilities of Ebro Foods, S.A. were as follows:

Thousands of euros	12/31/09	Additions	Reductions	Adjustments	12/31/10	Additions	Reductions	Adjustments	12/31/11
Deferred tax assets									
- Merger goodwill	6,019		(602)		5,417		(602)		4,815
- Intangible assets: Trademarks	3,308		(331)		2,977		(331)		2,646
- Property, land and equpment: Land	129				129				129
- Long-term provisions for remuneration	1,140	135	(1,140)		135	126			261
- Provisions for long-service bonuses	107	16			123	5			128
- Provisions for contingencies	656		(656)		-				-
- Impairment loss on companies in the tax group	2,131	4,717			6,848	2,899	(1,717)	(1,745)	6,285
- Termination benefits	-				-	681			681
- Tax credit carryforwards	8,577		(80)	(8,497)	-				-
	22,067	**4,868**	**(2,809)**	**(8,497)**	**15,629**	**3,711**	**(2,650)**	**(1,745)**	**14,945**
Deferred tax liabilities									
- Amortisation of goodwill for tax purposes	(27,696)	(5,620)			(33,316)	(1,124)			(34,440)
- Amortisation of trademarks for tax purposes	(549)		549		-	(240)			(240)
- Deferral of tax credit for foreign investment	(2,250)		2,250		-				-
- Deferral of gains relating to the tax group	(398)				(398)				(398)
- Fair value of financial assets	-	(15,472)			(15,472)		18,410		2,938
	(30,893)	**(21,092)**	**2,799**	**-**	**(49,186)**	**(1,364)**	**18,410**	**-**	**(32,140)**

16. GUARANTEE COMMITMENTS

At 31 December 2011 and 2010, the following bank guarantees had been provided:

	2011	2010
Guarantees from banks		
To courts and agencies for economic-administrative claims and tax deferral	17,931	38,483
To third parties to secure the fulfilment of ordinary trading obligations	770	770
Guarantees provided by Ebro Foods, S.A.		
Guarantees provided to banks to secure other companies	0	0

In 2009 guarantees (counter guarantees) amounting to EUR 64,427 thousand were provided to courts and agencies in relation to claims, of which EUR 17,931 thousand remained outstanding at 31 December 2011 (2010: EUR 38,483 thousand), in order to cover the guarantees provided to the buyers of the sugar business (sold in 2009) and of the dairy product business (sold in 2010), in connection with the lawsuits in which these businesses are involved. Based on the contractual agreements entered into, Ebro Foods, S.A. has guaranteed that it will cover any liability that might arise from the outcome of the unresolved litigation (see Note 14).

(Expressed in thousands of euros)

17. ACCOUNTS WITH GROUP COMPANIES AND ASSOCIATES

Note 8 includes a list of subsidiaries and associates of Ebro Foods, S.A. In 2011 and 2010 transactions with associates did not represent a material amount.

In 2011 and 2010 the main transactions performed by the Company with Group companies and associates were as follows:

	2011		2010	
	Group companies	Associates	Group companies	Associates
Outside services	(446)		(3,843)	
Staff costs	0		0	
Finance costs	(2,139)		(1,321)	
Total purchases and costs	**(2,585)**	**0**	**(5,164)**	**0**
Provision of services and other income	6,579		6,932	
Finance income	1,822		318	
Income from dividends received	150,275		11,962	
Total sales and income	**158,676**	**0**	**19,212**	**0**

The balances of Ebro Foods, S.A. with Group companies and associates at 31 December 2011 and 2010 were as follows:

AT 31 DECEMBER 2011						
BALANCES WITH GROUP COMPANIES AND ASSOCIATES	Long-term loans	Receivable from companies	Short-term loans	Balances payable Non-current	Balances payable Current	Payable to suppliers
Panzani SAS	135,000	597				
Herba Foods, S.L.		183		(31,764)		
Arotz Foods, S.A.		337		(27,914)	(11)	(1)
New World Pasta, Inc		362		(49,108)		
Ebro de Costa Rica, S.A.				(13,903)		
Ebro Riviana de Guatemala, S.A.				(8,249)		
Dosbio 2010, S.L.		(488)				
Herba Ricemills, S.L.		6,066	15,000			(9)
Riviana Foods, Inc		340				(164)
Herba Nutrición, S. L.		121				(1)
Grupo Lassie (Holanda)		131				
Jiloca, S.A.		179				
Fundación Ebro Foods					(301)	
Other companies (minor balances)	7	410	36	0	0	(2)
	135,007	**8,238**	**15,036**	**(130,938)**	**(312)**	**(177)**

(Expressed in thousands of euros)

AT 31 DECEMBER 2010					
BALANCES WITH GROUP COMPANIES AND ASSOCIATES	Long-term loans	Receivable from companies	Balances payables		Payable to Suppliers
			Non-current	Current	
Panzani SAS		901			(447)
Beira Terrace Soc. de Construçoes, Ltda.	6,897				
Azucarera Energías, S.A.	450	2			
Herba Foods, S.L.		146			(3)
Dosbio 2010, S.L.					(201)
Herba Ricemills, S.L.		3,110		(10,045)	
Herba Nutrición, S. L.		5			
Mundi Riz					
Euryza, Gmbh		173			
Fincas e inversiones Ebro, S.A.		39			
Arotz Foods, S.A.		240	(27,038)	(83)	(1)
Biosearch, S.A. (antes Puleva Biotech)		14			
Networks Meal Solutions, S.A.		1			(2)
Arrozeiras Mundiarroz		3			
Grupo Riviana		641	(21,282)		
New World Pasta Company, Inc (Grupo)		900	(109,265)		
Birkel Teigwaren, Gmbh (Grupo)		57			
Jiloca, S.A.		156			
Fundación Ebro Foods				(300)	
Boost Distribution CV		9			
	7,347	**6,397**	**(157,585)**	**(10,428)**	**(654)**

All of the balances are denominated in euros except for the amounts payable to New World Pasta, Inc., Ebro de Costa Rica, S.A. and Ebro Riviana de Guatemala, S.A., which are denominated in US dollars.

Non-current payables have no fixed maturity and, therefore, the Company classified them as non-current since they are not expected to be repaid in the short term. The amount payable to New World Pasta, Inc. has a nominal amount of USD 62 million, hedges the investments in assets in US dollars (see Note 9.2-c) and bears interest at 3-month LIBOR + 0.90 points.

The Company has entered into an agreement relating to a corporate current account with most of its Spanish and foreign subsidiaries, guaranteeing coverage of all their financing requirements and, where applicable, interest earned on their cash surpluses, all, as a general rule, at market interest rates.

18. RELATED PARTY TRANSACTIONS

The sales to and purchases from related parties were performed on an arm's length basis. At year-end the balances relating to commercial transactions are not secured, are not interest bearing and are settled in cash. No other guarantees were provided or received in relation to the accounts receivable from or payable to related parties.

During the years ended 31 December 2011 and 2010, the Company did not recognise any allowances for doubtful debts from related parties. The need for allowances is assessed each year on the basis of an examination of the financial position of the related party and of the market in which it operates.

18.1 Related-party transactions with significant shareholders (or parties related thereto) of Ebro Foods, S.A., excluding directors.

Note 12 lists the companies that have a significant ownership interest in the share capital of Ebro Foods, S.A.

Neither in 2011 nor in 2010 did Ebro Foods, S.A. perform any transactions, excluding dividends, with these significant shareholders (unless they are directors, in which case they are reflected in Note 18.2).

18.2 Related-party transactions with directors and executives (or parties related thereto) of Ebro Foods, S.A.

In 2011 Ebro Foods, S.A. did not perform any transactions with its directors and executives, except for the dividends and remunerations included in Notes 18.3 and 18.6.

18.3 Other related-party transactions with significant shareholders, directors and executives: dividends received from Ebro Foods, S.A.

Within the framework of the overall dividend policy of Ebro Foods, S.A. the following amounts, expressed in thousands of euros, were distributed:

Dividends in 2011:

- Dividends to significant shareholders: 35,120 (2010: 28,400)
- Dividends to directors and executives: 26,340 (2010: 21,419)

18.4 Other matters of interest

Ebro Foods, S.A. has an ownership interest of less than 20% in Biosearch, S.A. (18.652% at 31 December 2011). This ownership interest is solely of a financial nature and, as such, is recognised in the financial statements of the Ebro Group.

Ebro Foods, S.A. does not participate in the administration or the management of Biosearch, S.A. Neither does it have any influence over the financial and operating decisions made by Biosearch, S.A.

Therefore, Ebro Foods considers that the transactions performed with Biosearch in 2011 do not qualify as related-party transactions, although the transaction performed between Biosearch, S.A. and Ebro Foods in 2011, consisting of the provision of services and amounting to EUR 58 thousand, is hereby disclosed.

18.5 Duties of the directors: conflict of interest and prohibition of competition

Pursuant to Articles 229, 230 and 231 of the Spanish Limited Liability Companies Law, this section of the notes to the financial statements discloses information that the directors, in compliance with their duty of loyalty, have notified to the Company on the equity interests and positions held at companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the company object of Ebro Foods, S.A., whether or not these companies form part of the Ebro Foods Group.

- Alimentos y Aceites, S.A.
  - Direct ownership interest of 1.738% in Biosearch, S.A. No position is held.
- Instituto Hispánico del Arroz:
  - Direct ownership interest of 100% in the following Hisparroz Group companies: El Cobujón, S.A, Dehesa Norte, S.A., Mundiarroz, S.A., Pesquerías Isla Mayor, S.A., Australian Commodities, S.A. and Islasur, S.A. In all cases it holds the position of director.

    It is hereby stated that Instituto Hispánico del Arroz, S.A. is a company engaging in an activity that is similar to the activity that constitutes the company object of Ebro Foods, S.A. and that it holds an ownership interest of 15.721% therein (direct ownership interest of 8.832% and indirect ownership interest of 6.889% through Hispafoods Invest, S.L., in which it has a 100% direct ownership interest and holds the position of director).
- Antonio Hernández Callejas:
  - Direct ownership interest of 16.666% in Instituto Hispánico del Arroz, S.A. No position is held.
  - Direct ownership interest of 0.001% in Deoleo. He holds the position of director.
- Blanca Hernández Rodríguez:
  - Direct ownership interest of 16.666% in Instituto Hispánico del Arroz, S.A. No position is held.
- Demetrio Carceller Arce:
  - Direct ownership interest of 0.001% in Deoleo. He holds the position of director.

- Dr. Rudolf-August Oetker:

  - Direct ownership interest of 15% in Dr. August Oetker KG. He holds the position of Chairman of the Advisory Board.

  - He is a member of the Advisory board of the following companies belonging to the Dr. August Oetker KG Group: Dr. Oetker GmbH, Dr. August Oetker Nahrungsmittel KG, Dr. Oetker International Beteiligungs GmbH, Dr. August Oetker Nahrungsmittel Beteiligungs GmbH and Hamburg Südamerikanische Dampfschifffahrts-Gesellschaft KG.

The positions held by Antonio Hernández Callejas at other companies belonging to the Ebro Foods Group, in which he does not have any direct ownership interests are as follows:

Ebro Foods Group company	Position
A.W. Mellish, Ltd.	Director acting severally
American Rice, Inc.	Chairman
Anglo Australian Rice, Ltd.	Director
Arrozeiras Mundiarroz, S.A.	Chairman
Bertolini Import und Export, Gmbh	Director acting severally
Birkek Teigwaren, Gmbh	Director acting severally
Blue Ribbon Mills, Inc.	Chairman
Boost Nutrition, C.V.	Director
Bosto Panzani Belgium	Director
Danrice A/S	Director
Ebro America, Inc.	Chairman
Heap Comet, Ltd.	Director acting severally
Herba Germany, Gmbh	Director acting severally
Joseph Heap Property, Ltd.	Director acting severally
Joseph Heap&Sons, Ltd.	Director
N&C Boost, N.V.	Director
New World Pasta Company	Chairman
Panzani, S.A.S.	Director
Riviana Foods, Inc.	Chairman
S&B Herba Foods, Ltd.	Director
Sos Cuétara Usa, Inc.	Chairman
T.A.G. Nahrunsmittel, Gmbh	Director acting severally
Vogan, Ltd.	Director

It is also indicated that Blanca Hernández Rodríguez is the Chairwoman of the Board of Trustees of the Ebro Foods Foundation and Antonio Hernández Callejas is a trustee.

Except for the aforementioned cases, it is hereby stated that none of the other directors has notified the Parent that they have any percentage of ownership or hold a position in companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the company object of Ebro Foods, S.A. and its Group companies.

In 2011 and 2010 no transactions were performed by the directors of Ebro Foods, S.A. with Ebro Foods Group companies that did not form part of the ordinary course of business of these companies or were not performed under arm's length conditions.

18.6 Remuneration of the directors and executives

Directors' remuneration.- In 2011 the remuneration earned by the members of the Board of Directors of Ebro Foods, S.A. amounted to EUR 4,193 thousand (2010: EUR 5,835 thousand), the detail being as follows (in thousands of euros):

DIRECTORS' REMUNERATION AND OTHER BENEFITS	2011	2010
ITEMS OF REMUNERATION		
Attendance fees	297	347
Bylaw-stipulated profit sharing	2,565	2,565
Total non-executive directors	**2,862**	**2,912**
Wages, salaries and professional fees	1,331	2,923
Termination benefits and other		
Total executive directors	**1,331**	**2,923**
TOTAL REMUNERATION	**4,193**	**5,835**
OTHER BENEFITS		
Life insurance and retirement benefits	0	0

The Parent’s current bylaws provide for a bylaw-stipulated share in profits of 2.5% of net consolidated profit for the year, provided that the appropriations to the legal reserve have been made and a dividend of at least 4% of the paid-in capital has been declared for shareholders.

At its meeting held on 29 February 2012 and at the proposal of the Recruitment and Remuneration Committee, the Board of Directors resolved to freeze the bylaw-stipulated profit-sharing for 2011 at EUR 2,565,454, without any change in relation to 2010. This will entail proposing to the shareholders at the Annual General Meeting that 1.68% of the consolidated net profit attributable to the Company in 2011 be used.

The Board of Directors also resolved to maintain attendance fees at EUR 1,600 for attending Board meetings and EUR 800 for attending the various committee meetings.

The individualised breakdown of the remuneration in 2011 is as follows (in thousands of euros):

(Expressed in thousands of euros)

DIRECTOR	BYLAW-STIPULATED PROFIT SHARING	ATTENDANCE FEES	FIXED REMUNERATION FOR EXECUTIVE FUNCTIONS	VARIABLE REMUNERATION FOR EXECUTIVE FUNCTIONS	TOTAL
Antonio Hernández Callejas	351.6	23.2	680.9	650	1,705.7
Instituto Hispánico del Arroz, S.A.	131.8	17.6	0	0	149.4
José Nieto de la Cierva	131.8	17.6	0	0	149.4
Leopoldo del Pino y Calvo Sotelo	241.7	23.2	0	0	264.9
Alimentos y Aceites, S.A.	219.7	23.2	0	0	242.9
Blanca Hernández Rodríguez	170.3	25.6	0	0	195.8
Demetrio Carceller Arce	268.6	25.6	0	0	294.2
Rudolf-August Oetker	109.9	17.6	0	0	127.4
José Ignacio Comenge Sánchez-Real	143.3	23.2	0	0	166.5
Fernando Castelló Clemente	173.6	25.6	0	0	199.1
José Barreiro Seoane	301.6	25.6	0	0	327.1
Sol Daurella Comadrán	177.9	25.6	0	0	203.5
Eugenio Ruiz-Gálvez Priego	143.4	23.2	0	0	166.5
TOTAL	**2,565**	**297**	**681**	**650**	**4,193**

In addition to the total remuneration received in 2011 by the only director who discharges executive duties of EUR 1,331 thousand (2010: EUR 1,320 thousand), a EUR 271 thousand (2010: EUR 343 thousand) provision was recognised as a provisional estimate of the Deferred Annual Remuneration System for that year. This amount will accrue and be paid in 2013 and in 2012 in respect of remuneration relating to 2010.

The aforementioned Deferred Annual Remuneration System is not tied to Ebro Foods' share price and does not entail the receipt by the beneficiaries of shares or of any other right thereon.

None of the members of the Board of Directors are the beneficiaries of supplementary life and retirement insurance. Also, the Company has not granted any loans or advances to the members of its Board of Directors and it does not have any guarantee obligations to them.

<u>Executives' remuneration.</u>- In 2011 Ebro Foods, S.A. had twelve executives (2010: 10), whose total aggregate remuneration in 2011 for wages and salaries was EUR 2,562 thousand (2010: EUR 2,103 thousand).

In relation to the executives (excluding executive directors) of the Ebro Foods Group, included in the Deferred Annual Remuneration System associated with the Group's 2010-2012 Strategic Plan described in this Note above, the total amount for which a provision was recognised in 2011 was EUR 7 thousand (2010: EUR 106 thousand). This amount will accrue and be paid in 2013 and in 2012 in respect of remuneration relating to 2010.

The employment contracts of two of these executives include guarantee clauses in the event of termination or change of control, the amount of which exceeds that which would result from applying the Spanish Workers' Statute.

In the case of the other executives the termination benefits initially established are below the termination benefits due to length of service provided for in the Spanish Workers' Statute.

It is to be noted that the remuneration of all the executives of Ebro Foods was taken into consideration, although they are not all senior executives.

Lastly, the Parent took out and has in force a third-party liability insurance policy covering the directors and executives of Ebro Foods, S.A. with coverage for all its subsidiaries and an indemnity limit per annum of EUR 45 million, at an annual cost of EUR 67,500 and in force until 30 April 2012. The aforementioned policy is currently in the process of being renewed.

19. OTHER DISCLOSURES

a) Foreign currency transactions

The Company normally performs its transactions in euros, except for the financing transactions in US dollars mentioned in Note 13.

b) Employees

2011	2011 year-end		Total
	Men	Women	average
Executives	12	3	15
Middle management	17	7	24
Clerical staff	8	14	22
	37	24	61

2010	2010 year-end		Total
	Men	Women	average
Executives	11	3	14
Middle management	16	8	24
Clerical staff	9	10	19
	36	21	57

c) Fees paid to auditors

In 2011 (2010), the fees for the financial audit services and other services provided by the Company's auditor, Deloitte, S.L., or by a firm related to the auditor resulting from control, common ownership or management were as follows (in thousands of euros):

- The fees for audit services in 2011 amounted to EUR 242 thousand (2010: EUR 215 thousand) and those for other attest services amounted to EUR 35 thousand (2010: EUR 91 thousand).
- The fees for tax advisory and/or other services amounted to EUR 0 (2010: EUR 105 thousand).

(Expressed in thousands of euros)

d) Information on the environment

The activities carried on by the various companies of the Ebro Foods Group require the necessary investments to manage and control environmental risks. Accordingly, investments leading to increased productivity of the plant and machinery are capitalised and depreciated on a straight-line basis in accordance with their estimated useful life. As a holding company, Ebro Foods, S.A. does not have to make these investments and, therefore, such environmental investments and expenses are made and incurred by each Group company. The work performed in the last few years has been very extensive, especially to ensure the proper control of wastewater discharge, the emission of combustion gases and dust, and solid inert, organic and other waste.

The Company's directors do not expect any material contingencies to arise in relation to environmental protection and enhancement and do not consider it necessary to recognise any provision in this connection.

e) Disclosures on the payment periods to suppliers. «Disclosure obligation" provided for in Law 15/2010, of 5 July.» (Thousands of euros)

Amounts paid and payable at the end of the reporting period

	12/31/2011		12/31/2010	
	Amount	%*	Amount	
- Within the maximum payment period (**)	6,770	98.90%		
- Remainder.	75	1.10%		
Total payments made in the year.	6,845	100.00%		
Weighted average period of late payment (in days).	29			
Payments at year-end not made in the maximum payment period.	0		19	

* Percentage of total.
** The maximum payment period in each case will be that applicable based on the nature of the good or service received by the Company pursuant to the provisions of Law 3/2004, of 29 December, on establishing measures for combating late payment in commercial transactions.

20. EVENTS AFTER THE REPORTING PERIOD

No other significant events took place between the reporting date and the authorisation for issue of the consolidated financial statements.

21. EXPLANATION ADDED FOR TRANSLATION INTO ENGLISH

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Company (see Note 2.1). Certain accounting practices applied by the Company that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

EBRO FOODS, S.A.

Directors' report for the year ended 31 December 2011
(Expressed in thousands of euros)

1. OPERATING REVIEW

Ebro Foods, S.A. is the Parent of the Ebro Foods Group, the leading Spanish food group. Through its subsidiaries, it is present in the rice, pasta and biotechnology markets of Europe and North America and has a growing presence in other countries.

2011 represented an enormous challenge in terms of managing the prices of the raw materials used in the products marketed by the Ebro Foods Group, which rose sharply after the last quarter of 2010. The Company's earnings continued their upward trend, allowing it to continue investing in productivity and maintain its product differentiation and innovation strategy.

The directors' report on the consolidated financial statements includes detailed information on the business performance and activities carried on in 2011 by the different divisions or businesses composing the Ebro Foods Group.

2. 2011 ANALYSIS OF EBRO FOODS, S.A.

Distribution of dividends

On the basis of the Ebro Foods Group's consolidated profit for 2010, the shareholders at the Annual General Meeting held on 15 June 2011 resolved to distribute an ordinary dividend of EUR 0.416 per share payable in cash out of unrestricted reserves in four quarterly payments of EUR 0.104 each, on 4 April, 4 July, 3 October and 22 December 2011, for a total of EUR 64,008 thousand.

Also, and on a separate basis, the third and fourth payments of the extraordinary dividend of EUR 0.15 per share approved by the shareholders at the Annual General Meeting held on 2 June 2010 following the sale of the dairy product business in the same year were made on 4 April and 4 July 2011, respectively.

Lastly, on 15 June 2011, the Board of Directors approved the payment of an interim dividend of EUR 0.15 per share for a total maximum amount of EUR 23,080 thousand for 2011 (see Note 3). The payment of this interim dividend was made on 3 October and 22 December 2011 at EUR 0.075 per share.

Acquisition of SOS

On 25 November 2010, the Board of Directors of Ebro Foods, S.A. reached an agreement with the Board of Directors of the Deoleo Group to acquire its rice division. Accordingly, on 31 March 2011, Ebro Foods, S.A. (Ebro) and SOS Corporación Alimentaria, S.A. (Deoleo) entered into a framework agreement for the acquisition by the Ebro Group of Deoleo's rice business in Spain, the US, Saudi Arabia and the Netherlands, and the SOS trademark worldwide. This agreement was entered into after that concluded on 30 March 2011 for the acquisition of the Saludaes trademark in Portugal. These acquisitions were made for a total final price of EUR 203.5 million.

Having received the approval of the US and Spanish competition authorities in June 2011, the acquisition of these businesses was formalised in the third quarter of 2011. Ebro Foods, S.A. acquired the "Saludaes" trademark in Portugal and the "Lassie" trademark in the Netherlands, while Deoleo's remaining rice businesses were acquired by various wholly owned subsidiaries of Ebro Foods, S.A.

The Spanish National Competition Commission approved the acquisition of SOS's rice business in Spain, subject to Ebro's commitment to licence or transfer the Nomen trademark and to sell its La Parrilla, La Cazuela, Pavo Real and Nobleza trademarks. This commitment is currently being performed and executed.

Bid for the SunRice Group

At their Annual General Meeting held on 31 May 2011, the shareholders of Ricegrowers Limited SunRice decided not to accept the takeover bid submitted by Ebro Foods, S.A. on 20 October 2010 for the acquisition of the Australian Group SunRice. In total, 67% of class A shareholders and 76% of class B shareholders voted for Ebro Foods, S.A.'s bid, so the qualified majority of 75% required in both series for the acquisition to go ahead was not reached.

Business performance

Ebro Foods, S.A.'s revenue is generated mainly through the dividends of its subsidiaries and transactions with its real estate assets. The costs correspond mainly to the borrowing costs on its debts as the head of the Ebro Foods Group. Also, impairment losses are recognised and reversed on the basis of changes in the equity of the subsidiaries.

Profit from operations amounted to EUR 139,337 thousand in 2011, as compared with EUR 166,562 thousand in 2010. This decrease was attributable to the fact that the profit from the sale of the Ebro Foods, S.A.'s dairy trademarks was recognised in 2010 and was partially offset by a substantial increase in income arising from the dividends of its subsidiaries.

Financial profit totalled EUR 4,295 thousand in 2011, as compared with a profit of EUR 302,333 thousand in 2010. As mentioned in the preceding paragraph, the change was attributable to the fact that the profit arising from the sale of shares in Puleva S.L. and Lactimilk S.L. was recognised in the previous year. The remaining items reflect a reduction in the net finance charge due to the Company's improved financial position.

Profit after tax amounted to EUR 153,554 thousand in 2011, as compared with a profit of EUR 364,160 thousand in 2010.

3. OUTLOOK FOR THE COMPANY

The earnings obtained by Ebro Foods in future years will be determined by the dividends it receives from the subsidiaries, the gains on properties not considered to be strategic and the borrowing costs relating to the debt financing its assets.

The Company's directors consider that the dividends established by the subsidiaries will be sufficient for Ebro Foods to obtain the profit that will enable it to implement an appropriate shareholder remuneration policy.

4. RESEARCH AND DEVELOPMENT ACTIVITIES

Research and development is performed by the subsidiaries (as disclosed in the consolidated directors' report).

5. TREASURY SHARE TRANSACTIONS

In 2011, the Company made treasury share purchases and sales pursuant to authorisations granted by the shareholders at the Annual General Meetings held on 2 June 2010 and 15 June 2011, notifying the Securities Market Commission accordingly pursuant to current legislation. In 2011, 4,087,972 treasury shares were acquired and 703,878 treasury shares were sold. At 2011 year-end the Company held 3,384,094 treasury shares, representing 2.199% of its share capital. At 2011 year-end no specific use had been designated for these treasury shares.

6. EMPLOYEES

The main information is included in Notes 18 and 19 to the accompanying financial statements.

7. RISK MANAGEMENT OBJECTIVES AND POLICIES RELATING TO THE BUSINESS ACTIVITIES

Ebro Foods, as the head of its corporate Group, is indirectly exposed to the risks associated with its subsidiaries through changes in the value of its investment portfolio and the dividends received from them. The activity of the subsidiaries composing the Ebro Foods Group is carried on in an environment in which external factors can influence their transactions and earnings.

The main risks are business, financial, credit, employment, environmental and technology risks. These risks and the policies applied in their recognition and management are described in the consolidated directors' report.

A Corporate Risk Map has been drawn up and the instruments for reducing the aforementioned risks and the main processes and controls associated therewith are currently being analysed.

8. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The principal financial instruments employed include bank loans, bank overdraft facilities, cash and short-term deposits. The main purpose of these financial instruments is to increase the financial resources for the Group's operations.

Derivative products were arranged in prior years to manage interest rate and foreign currency risk. The Company's policy is not to arrange financial instruments for speculative purposes.

The main risks from the financial instruments used are credit risk, cash flow interest rate risk, liquidity risk and foreign currency risk.

The Board of Directors reviews and establishes policies for managing each of these risks and the Financial Department identifies and manages them in order to minimise or limit the possible impact on the Group's earnings.

Credit risk

Ebro Foods does not have a significant concentration of credit risk. In addition, cash is placed and financial instruments are arranged with institutions of acknowledged solvency and with a high credit rating.

Cash flow interest rate risk

The Company is exposed to the risk of changes in market interest rates, primarily in connection with its long-term payment obligations that bear floating interest rates.

The Company uses, where necessary, a combination of floating and fixed interest rates. The aim is to achieve a balance in the debt structure, thereby minimising its cost with reduced volatility. To this end it closely monitors the changes in interest rates with the support of external experts. When it is deemed necessary, Ebro Foods arranges derivative financial instruments to hedge interest rate risk.

Foreign currency risk

As a result of the investments made in the US, the Company's balance sheet could be significantly affected by changes in the USD/EUR exchange rate. In order to mitigate this structural foreign currency risk, loans were obtained in USD. Accordingly, a substantial part of its investment in the US is hedged in this way.

The transactions performed by operating subsidiaries in currencies that are not the functional currency are also exposed to foreign currency risk. In these cases, the subsidiaries arrange foreign currency hedges or other hedging instruments following the Group's policies.

Liquidity risk

The objective of Ebro Foods is to maintain a balance between continuity of the financing and flexibility through the use of revolving credit facilities, bank loans and current financial assets.

9. ENVIRONMENT

In view of the very specific nature of the Company's business activities, they do not have any effect on the environment. See Note 19-d to the financial statements.

10. EVENTS AFTER THE REPORTING PERIOD

No other significant events took place between the reporting date and the authorisation for issue of the financial statements.

11. ANNUAL CORPORATE GOVERNANCE REPORT

Pursuant to the legislation currently in force, this section of the Directors' Report includes the Annual Corporate Governance Report of Ebro Foods, S.A. for 2011, required by the Spanish National Securities Market Commission.