

EBRO 2012

**FINANCIAL
INFORMATION**

**CORPORATE SOCIAL
RESPONSABILITY**

**CORPORATE
GOVERNANCE**

INDIVIDUAL ANNUAL ACCOUNTS

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EBRO FOODS, S.A.

BALANCE SHEETS AT 31 DECEMBER 2012 AND 2011

ASSETS (THOUSANDS OF EUROS)	NOTES	12-31-2012	12-31-2011
a) Non-current assets		1,500,798	1,501,049
I. Intangible assets	5	8,778	12,899
3. Patents, licences, trademarks and other		7,866	11,456
5. Computer software		912	1,443
II. Property, plant and equipment	6	2,174	2,727
1. Land and buildings		526	549
2. Plant and other items of property, plant and equipment		1,648	2,178
III. Investment property	7	12,112	11,973
1. Land		7,276	7,276
2. Buildings		4,836	4,697
IV. Non-current investments in Group companies and associates	8	1,400,252	1,410,380
1. Equity Instruments		1,400,087	1,275,373
2. Loans to companies	9 & 17	165	135,007
V. Non-current financial assets	9	56,956	48,125
1. Equity Instruments		29,905	45,428
2. Loans to third parties		26,904	2,550
5. Other financial assets		147	147
VI. Deferred tax assets	15	20,526	14,945
b) Current assets		20,606	67,412
I. Non-current assets classified as held for sale	8	0	0
III. Trade and other receivables	9 & 10	15,235	14,664
1. Trade receivables for sales and services		655	926
2. Receivable from Group companies and associates	17	8,216	8,238
3. Sundry accounts receivable		8	0
4. Employee receivables		71	127
5. Current tax assets	15	5,896	2,303
6. Other accounts receivable from public authorities	15	389	3,070
IV. Current investments in Group companies and associates		0	15,036
2. Loans to companies	17	0	15,036
V. Current financial assets	9	4,065	2,400
Loans to third parties		4,065	2,400
VI. Current prepayments and accrued income		0	47
VII. Cash and cash equivalents	11	1,306	35,265
1. Cash		1,306	12,214
2. Cash equivalents		0	23,051
Total assets		1,521,404	1,568,461

The accompanying Notes 1 to 21 are an integral part of the balance sheet at 31 December 2012.

EBRO FOODS, S.A.

BALANCE SHEETS AT 31 DECEMBER 2012 AND 2011

EQUITY AND LIABILITIES (THOUSANDS OF EUROS)	NOTES	12-31-2012	12-31-2011
a) Equity		1,027,042	1,063,557
a.1) Shareholders' equity	12	1,026,329	1,070,411
I. Share capital		92,319	92,319
1. Registered share capital		92,319	92,319
II. Share premium		5	5
III. Reserves		930,472	893,916
1. Legal and bylaw reserves		18,464	18,464
2. Other reserves		912,008	875,452
IV. Treasury shares		0	(46,303)
VII. Profit for the year		3,533	153,554
VIII. Interim dividend		0	(23,080)
a.2) Valuation adjustments		713	(6,854)
a.3) Grants, donations and legacies received		0	0
b) Non-current liabilities		407,024	433,683
I. Long-term provisions	14	10,858	38,621
1. Long-term provisions for employee benefit obligations		2,030	1,252
4. Other provisions		8,828	37,369
II. Non-current payables	9	171,790	231,984
2. Bank borrowings	13	171,778	231,957
5. Other financial liabilities		12	27
III. Non-current payables to Group companies and associates	17	182,080	130,938
IV. Deferred tax liabilities	15	42,296	32,140
c) Current liabilities		87,338	71,221
I. Liabilities associated with non-current assets classified as held for sale	8	0	0
III. Current payables:	9	59,863	59,398
2. Bank borrowings	13	59,747	58,022
5. Other financial liabilities		116	1,376
IV. Current payables to Group companies and associates	17	15,485	312
V. Trade and other payables:	9	11,990	11,511
1. Payable to suppliers		2,706	771
2. Payable to suppliers - Group companies and associates	17	1,006	177
4. Remuneration payable		3,005	5,242
5. Current tax liabilities	15	0	0
6. Other accounts payable to public authorities	15	5,273	5,321
Total equity and liabilities		1,521,404	1,568,461

The accompanying Notes 1 to 21 are an integral part of the balance sheet at 31 December 2012.

EBRO FOODS, S.A.

INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

(THOUSANDS OF EUROS)	NOTES	12-31-2012	12-31-2011
Continuing operations			
Revenue		17,294	156,728
Services		5,353	4,631
Dividends received from Group companies	8 & 17	11,939	150,275
Finance income from Group companies	17	2	1,822
Other operating income		3,086	5,606
Non-core and other current operating income		3,086	5,606
Staff costs		(10,904)	(12,769)
Wages, salaries and similar expenses		(8,392)	(9,013)
Employee benefit costs		(1,137)	(1,045)
Termination benefits		(78)	(2,273)
Provisions		(1,297)	(438)
Other operating expenses		(7,536)	(9,330)
Outside services		(6,560)	(8,503)
Taxes other than income tax		(352)	(827)
Losses on, impairment of and change in allowances for trade receivables		(35)	0
Other current operating expenses		(589)	0
Depreciation and amortisation charge	5, 6 & 7	(1,259)	(1,182)
Excessive provisions	14	20,934	0
Impairment and gains or losses on disposals of non-current assets		27,753	284
Impairment and other losses	5	(3,588)	0
Gains or losses on disposals and other	5 & 7	31,341	284
Profit from operations		49,368	139,337
Finance Incomes		230	8,454
From marketable securities and other financial instruments:			
Associates	17	0	0
Third parties		230	8,454
Finance costs		(7,514)	(7,805)
On debts to Group companies and associates	17	(2,440)	(2,139)
On debts to third parties		(4,860)	(4,125)
Interest cost relating to provisions	14	(214)	(1,541)
Changes in fair value of financial instruments		(25,834)	0
Held-for-trading financial assets/liabilities and other		(18)	0
Allocation to profit or loss of fair value changes in available-for-sale financial assets	9	(25,816)	0
Exchange differences	9	599	848
Impairment and gains or losses on disposals of financial instruments		(19,144)	2,798
Impairment and other losses	8	(19,144)	(14,348)
Gains or losses on disposals and other	8	0	17,146
Financial profit (loss)		(51,663)	4,295
Profit (loss) before tax		(2,295)	143,632
Income tax	15	5,828	9,922
Profit for the year from continuing operations		3,533	153,554
Discontinued operations			
Profit for the year from discontinued operations net of tax		0	0
Profit for the year		3,533	153,554

The accompanying Notes 1 to 21 are an integral part of the income statement for the year ended 31 December 2012.

EBRO FOODS, S.A.

STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

(THOUSANDS OF EUROS)	NOTES	12-31-2012	12-31-2011
a) Profit per income statement		3,533	153,554
Income and expense recognised directly in equity			
I. Arising from revaluation of financial instruments			
1. Available-for-sale financial assets	9	(15,006)	(61,366)
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	15	4,502	18,410
b) Total income and expense recognised directly in equity		(10,504)	(42,956)
Transfers to profit or loss			
VI. Arising from revaluation of financial instruments			
1. Available-for-sale financial assets	9	25,816	
2. Other income/expenses			
VII. Arising from cash flow hedges			
VIII. Grants, donations and legacies received			
IX. Tax effect	15	(7,745)	
c) Total transfers to profit or loss		18,071	0
Total recognised income and expense (A + B + C)		11,100	110,598

The accompanying Notes 1 to 21 are an integral part of the statement of recognised income and expense for the year ended 31 December 2012.

EBRO FOODS, S.A. STATEMENTS OF CHANGES IN TOTAL EQUITY FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

(THOUSANDS OF EUROS)

	Share capital	Share premium	Reserves	Treasury shares	Prior years' losses	Profit for the year	Interim dividend	Other equity instruments	Valuation adjustments	Grants, donations and legacies received	Total
Beginning 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
I. Adjustments due to changes in policies											0
II. Adjustments due to errors											0
Adjusted balance at 01-01-12	92,319	5	893,916	(46,303)	0	153,554	(23,080)	0	(6,854)	0	1,063,557
I. Total recognised income and expense						3,533			7,567		11,100
II. Transactions with shareholders or owners:	0	0	36,556	46,303	0	(153,554)	23,080	0	0	0	(47,615)
Dividends paid			(118,815)	20,916			23,080				(74,819)
Treasury share transactions (net)			1,817	25,387							27,204
Other transactions with shareholders			153,554			(153,554)					0
III. Other changes in equity											0
Ending balance at 12-31-12	92,319	5	930,472	0	0	3,533	0	0	713	0	1,027,042

The accompanying Notes 1 to 21 are an integral part of the statement of changes in total equity for the year ended 31 December 2012.

EBRO FOODS, S.A.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

(THOUSANDS OF EUROS)	NOTES	12-31-2012	12-31-2011
Cash flows from operating activities		(3,431)	51,117
1. Profit for the year before tax		(2,295)	143,632
2. Adjustments for:		(6,409)	(157,589)
a) Depreciation and amortisation charge	5, 6 & 7	1,259	1,182
b) Impairment losses (+/-)	8	22,732	14,348
c) Changes in provisions (+/-)(+)	14	1,297	438
e) Gains/Losses on derecognition and disposal of non-current assets (+/-),	7	(31,341)	(284)
f) Gains/Losses on derecognition and disposal of financial instruments (+/-),	8	0	(17,146)
g) Finance income (-)		(232)	(10,276)
h) Finance costs (+)		7,514	7,805
i) Exchange differences (+/-)	9,1	(599)	(848)
j) Changes in fair value of financial instruments (+/-)		25,834	0
k) Other income and expenses (-/+),	8, 4 & 17	(32,873)	(152,808)
3. Changes in working capital		3,193	(3,906)
b) Trade and other receivables (+/-)		3,416	(4,739)
d) Trade and other payables (+/-)		1,479	435
f) Other non-current assets and liabilities (+/-),		(1,702)	398
4. Other cash flows from operating activities		2,080	68,980
a) Interest paid (-)		(5,998)	(3,317)
b) Dividends received (+),		11,938	50,274
c) Interest received (+),		128	11,934
d) Income tax recovered (paid) (+/-)		(3,988)	10,089
Cash flows from investing activities		6,259	(147,399)
6. Payments due to investment (-)		(6,859)	(154,313)
a) Group companies and associates		(1,000)	(141,391)
b) Intangible assets		0	(12,782)
c) Property, plant and equipment	6	0	(140)
d) Investment property	7	(200)	0
e) Other financial assets		(5,659)	0
7. Proceeds from disposal (+)		13,118	6,914
a) Group companies and associates		0	4,363
b) Intangible assets		12,619	0
c) Property, plant and equipment		0	2,551
g) Other assets		499	0
Cash flows from financing activities		(36,787)	(306,155)
9. Proceeds and payments relating to equity instruments		27,204	(45,536)
c) Purchase of treasury shares (-)		(5,361)	(55,928)
d) Disposal of treasury shares (+)		32,565	10,392
10. Proceeds and payments relating to financial liability instruments		7,140	(128,924)
a) Proceeds from issue		66,851	8,288
3. Borrowings from Group companies and associates (+)		66,851	8,288
b) Repayment of		(59,711)	(137,212)
2. Bank borrowings (-)		(59,711)	(28,464)
3. Borrowings from Group companies and associates (-)		0	(108,748)
11. Dividends and returns on other equity instruments paid		(71,131)	(131,695)
a) Dividends (-)		(71,131)	(131,695)
Effect of foreign exchange rate changeso		0	0
Net increase/decrease in cash and cash equivalents		(33,959)	(402,437)
Cash and cash equivalents at beginning of year		35,265	437,702
Cash and cash equivalents at end of year		1,306	35,265

The accompanying Notes 1 to 21 are an integral part of the statement of cash flows for the year ended 31 December 2012.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012 (EXPRESSED IN THOUSANDS OF EUROS)

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 the 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 rice, pasta, sauces and all manner of nutritional products.
- b) The production, exploitation and sale of all manner of food and 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 2012, authorised for issue by the directors of Ebro Foods, S.A. on 21 March 2013. The consolidated financial statements for 2011 were approved by the shareholders at the Annual General Meeting of Ebro Foods, S.A. on 29 May 2012 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 2012 and 2011, 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 12-31-2012		AT 12-31-2011	
Total assets		2,731,812		2,710,608
Equity:		1,693,237		1,588,460
Of the Parent	1,692,209		1,587,298	
Of non-controlling interests	1,028		1,162	
Revenue		2,041,266		1,804,111
Profit for the year:		158,451		151,643
Of the Parent	158,592		151,542	
Of non-controlling interests	(141)		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 2012.

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 2011 were approved by the shareholders at the Annual General Meeting held on 29 May 2012.

COMPARATIVE INFORMATION

The information relating to 2011 included in these notes to the financial statements is presented for comparison purposes with that relating to 2012.

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 ongoing 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 from the date the corresponding tax returns have been filed has expired. The directors consider that there are no contingencies that might result in additional material liabilities for the Company in the event of a tax audit (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 on the basis of their estimated useful life.

❖ 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 2012 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 2012 AFFECTING THE BASIS OF PRESENTATION

At the beginning of 2012 Ebro Financial Corporate Services, S.L. (a new wholly-owned subsidiary of Ebro Foods, S.A.) commenced its business activities. This company was incorporated to assume -with effect from 2012- the integrated management of the insurance policies taken out to cover the Group subsidiaries located in the EU, the most significant aspects of which had previously been carried out locally, and also to undertake separate management of the financial activity (which refers to the granting of loans, provision of guarantees, the performance of economic and financial studies, etc.). In this connection, Ebro Foods S.A. made a non-monetary contribution of EUR 150,000 thousand to Ebro Financial Corporate Services S.L. comprising the loans it had granted to Group subsidiaries. As a result, independent management of two highly related areas, such as Insurance and Finance, allows the Ebro Group to gain stricter and better control of both activities.

In 2011 no corporate transactions took place that affected the presentation of the financial statements or their comparability with those of 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

(THOUSANDS OF EUROS)	AMOUNT
Basis of distribution	
Unrestricted reserves	908,839
Profit for the year	3,533
	912,372

The profit distribution proposal prepared by the directors of Ebro Foods, S.A. at the Board of Directors Meeting of 21 March 2013, which has not yet been approved by the shareholders at the Annual General Meeting, is as follows:

The consolidated profit of the Ebro Foods Group for 2012 makes it possible to propose, as in prior years, the distribution of a dividend payable in cash out of unrestricted reserves of EUR 0.48 per share for a total amount of EUR 73,855 thousand, of which EUR 0.16 per share was paid in January 2013. Accordingly, the remaining amount of EUR 0.32 per share will be settled in two payments of EUR 0.16 each on 11 May and 11 September 2013, respectively.

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 POLICIES

A) INTANGIBLE ASSETS

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

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 (see Note 4-e). This indefinite useful life assessment is reviewed at each reporting date.

B) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are initially recognised at acquisition or production cost. The cost of property, plant and equipment acquired through business combinations is their acquisition-date fair value. 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 a 3.0%
Machinery, fixtures and tools	2.0 a 8.0%
Furniture	10.0 a 25.0%
Transport equipment	5.5 a 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 not in 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 their 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.

An 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 at each reporting date. If there are any indications of impairment and, in any case, for goodwill and intangible assets with indefinite useful lives, 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, except 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 of the related liability. The criteria concerning depreciation, impairment and derecognition as are applied to assets that are owned are also used for leased assets of the same nature.

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, guarantees, 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 include 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 of a business, in which case the investment is recognised at the carrying amount of the assets composing the business. The amount initially recognised includes the amount of the pre-emption 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-emption 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-emption 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 relate to 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 the 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, a reversal of an impairment loss is recognised in profit or loss up to the limit of the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. 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) FINANCIAL LIABILITIES

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 hedged item or 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 derivatives held for trading.

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:** these 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) TREASURY SHARES

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) CASH AND CASH EQUIVALENTS

“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 mature 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 normal 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 attaching to them 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 agreement and its non-statutory agreements, the Company is obliged to make annual supplementary payments of various kinds and pay 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 scantily 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, unless 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 measured 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 as those indicated in the preceding 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) DISCONTINUED OPERATIONS

Income and expenses from discontinued operations are included in a single line item, net of the related tax effect, under "Profit 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) FOREIGN CURRENCY TRANSACTIONS

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

Foreign currency transactions are translated on initial recognition at the spot exchange rates 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) ENVIRONMENTAL ASSETS AND LIABILITIES

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) TERMINATION BENEFITS

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.

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 2012 and 2011 is as follows:

NET VALUES

	Trademarks and patents	Computer software	Total
Balance at 31 December 2010	25	1,669	1,694
Balance at 31 December 2011	11,456	1,443	12,899
Balance at 31 December 2012	7,866	912	8,778

GROSS VALUES

	Trademarks and patents	Computer software	Total
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
Business combinations			0
Increases in 2012		14	14
Decreases in 2012	(1,036)		(1,036)
Translation differences			0
Transfers	(2)	2	0
Balance at 31 December 2012	13,110	2,232	15,342

ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES

	Trademarks and patents	Computer software	Total
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)
Business combinations			0
Increases in 2012	(3,588)	(547)	(4,135)
Decreases in 2012	1,036		1,036
Translation differences			0
Transfers			0
Balance at 31 December 2012	(5,244)	(1,320)	(6,564)

At 31 December 2012, the Company had fully amortised patents and trademarks amounting to EUR 1,648 thousand (31 December 2011: EUR 2,600 thousand).

None of the intangible assets are located outside Spain, except for the Portuguese trademark "Saludae" and the Lassie trademark in the Netherlands acquired in 2011. At the end of 2011 there were no firm intangible asset purchase commitments.

The most significant changes in 2012 arose as a result of:

- ❖ The sale of the Nomen trademark and other less significant brands. More information is provided in this same Note.
- ❖ Investments in new computer software (renewal, expansion, etc.).

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 other additions in 2011 related to new investments in computer software to renew and extend the systems.

The charges to profit or loss in 2012 in connection with the period amortisation and impairment losses recognised (on one of these trademarks) relating to these intangible assets amounted to EUR 547 thousand and EUR 3,588 thousand, respectively (2011: EUR 486 thousand and EUR 0 thousand, respectively).

The recoverable amount of these trademarks was determined on the basis of their value in use, using cash flow projections based on five-year budgets. The discount rates used in the cash flow projections for these assets range from 6.1% for the Netherlands to 11.6% for Portugal, depending on the geographical area in which the trademark is located, and the cash flows for periods beyond the five-year period are extrapolated using a growth rate equal to the average long-term growth rate of the unit in question, which is usually between 1.5% and 2.1%, depending on the business concerned.

As regards the assumptions used in calculating the value in use of these trademarks, it is considered that in no case would any reasonable and possible change in any of the assumptions used increase the current carrying amount of these trademarks to above their recoverable amount or, therefore, give rise to the need to recognise additional impairment losses.

Lastly, as indicated in the financial statements for 2011, 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 trademark along with the La Parrilla, La Cazuela, Pavo Real and Nobleza trademarks. As a result, on 26 April 2012 Ebro Foods, S.A. and Arrossaires del Delta de L'Ebre, SCCL entered into an agreement whereby the former undertook to sell the latter its Nomen business under the following terms and conditions:

- ❖ The subject matter of the transaction comprised all the trademarks, distinguishing signs and other intellectual property rights associated with the Nomen products.
- ❖ The price agreed upon was EUR 30.1 million, to be settled in instalments, the initial payment consisting of an industrial building located in La Aldea (Tarragona) valued at EUR 1.5 million (sold to Herba Ricemills, S.L., a wholly-owned subsidiary of Ebro Foods, S.A.), plus thirteen further annual instalments of EUR 2.9 million each. Therefore, the total amount to be received by Ebro, including interest on the deferral of payment, will amount to EUR 39.2 million.
- ❖ The parties agree to mortgage the Nomen trademarks in order to secure the deferred price.
- ❖ Prior approval from the Spanish National Competition Commission was a precondition for execution of the agreement. Approval was granted on 5 July 2012 and the parties executed the sale and transfer of Nomen on 12 September 2012.

With respect to the sales obligation on the other trademarks, La Parrilla, La Cazuela, Pavo Real and Nobleza, on 26 June 2012 an agreement was reached for their sale to a third party for EUR 2 million. The sale was executed on 13 September 2012 on receipt of prior approval from the Spanish National Competition Commission.

6. PROPERTY, PLANT AND EQUIPMENT

The detail of "Property, Plant and Equipment" and of the changes therein in 2012 and 2011 is as follows:

NET VALUES

	Land	Buildings	Plant and other items of PPE	PPE in the course of construction and advances	Total
Balance at 31 December 2010	307	240	2,667	0	3,214
Balance at 31 December 2011	307	240	2,180	0	2,727
Balance at 31 December 2012	307	219	1,648	0	2,174

GROSS VALUES

	Land	Buildings	Plant and other items of PPE	PPE in the course of construction and advances	Total
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
Increases in 2012			111		111
Decreases in 2012			(21)		(21)
Transfers					0
Balance at 31 December 2012	307	1,150	4,514	0	5,971

ACCUMULATED DEPRECIATION

	Land	Buildings	Plant and other items of PPE	PPE in the course of construction and advances	Total
Balance at 31 December 2010	0	(910)	(1,606)	0	(2,516)
Increases in 2011			(638)		(638)
Decreases in 2011					0
Transfers					0
Balance at 31 December 2011	0	(910)	(2,244)	0	(3,154)
Increases in 2012		(11)	(640)		(651)
Decreases in 2012			8		8
Transfers		(10)	10		0
Balance at 31 December 2012	0	(931)	(2,866)	0	(3,797)

In 2012 and 2011 there were no significant changes in property, plant and equipment.

Based on the estimates and projections available to the Company's directors, these items of property, plant and equipment do not pose any impairment problems.

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

The detail of the fully depreciated assets included in property, plant and equipment at 31 December 2012 and 2011 is as follows:

	2011	2012
Other fixtures, tools and furniture	211	211
Other items of property, plant and equipment	670	793

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 head offices in Madrid, until 6 April 2015 in the case of one and until 31 December 2015 in the case of the other, and the Barcelona office (which opened in 2009) until 1 December 2018, as well as the systems work centre office in Granada. These leases will subsequently be automatically renewed if none of the parties object. There are no significant contingent payments. In 2012 the expenses relating to these leases amounted to EUR 1,371 thousand (2011: EUR 1,370 thousand). The future minimum lease payments under non-cancellable leases at 31 December 2012 were as follows:

	12-31-2012
Within one year	1,371
Between one and five years	2,312
After five years	45
	3,728

7. INVESTMENT PROPERTY

The detail of "Investment Property" and of the changes therein in 2012 and 2011 is as follows:

NET VALUES

	Land	Buildings	Total
Balance at 31 December 2010	7,276	4,755	12,031
Balance at 31 December 2011	7,276	4,697	11,973
Balance at 31 December 2012	7,276	4,836	12,112

GROSS VALUES

	Land	Buildings	Total
Balance at 31 December 2010	7,276	5,832	13,108
Increases in 2011			0
Decreases in 2011			0
Transfers from property, plant and equipment (Note 6)			0
Balance at 31 December 2011	7,276	5,832	13,108
Increases in 2012		200	200
Decreases in 2012			0
Transfers from property, plant and equipment			0
Balance at 31 December 2012	7,276	6,032	13,308

ACCUMULATED DEPRECIATION

	Land	Buildings	Total
Balance at 31 December 2010	0	(1,077)	(1,077)
Increases in 2011		(58)	(58)
Decreases in 2011			0
Transfers from property, plant and equipment (Note 6)			0
Balance at 31 December 2011	0	(1,135)	(1,135)
Increases in 2012		(61)	(61)
Decreases in 2012			0
Transfers from property, plant and equipment			0
Balance at 31 December 2012	0	(1,196)	(1,196)

In 2012 and 2011 there were no significant changes in investment property.

There is no investment property outside Spain. At 31 December 2012, the fully depreciated investment property amounted to EUR 81 thousand (31 December 2011: EUR 81 thousand).

The expenses associated with investment property correspond to those relating to their annual depreciation and maintenance costs. In 2012 the latter amounted to EUR 355 thousand (2011: EUR 344 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 future minimum lease payments under non-cancellable operating leases is as follows:

	12-31-2012
Within one year	133
Between one and five years	326
After five years	0
	459

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 2012 and 2011 were as follows:

CONCEPTO

	Balance at 12-31-2010	Increases	Decreases	Transfers	Balance at 12-31-2011
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

CONCEPTO

	Balance at 12-31-2011	Increases	Decreases	Transfers	Balance at 12-31-2012
Equity instruments of Group companies	1,320,028	150,000	(6,142)	0	1,463,886
Valuation adjustments	(44,655)	(19,144)	0	0	(63,799)
	1,275,373	130,856	(6,142)	0	1,400,087
Loans to Group companies	135,007	158	(135,000)	0	165
Loans to associates	0	0	0	0	0
	135,007	158	(135,000)	0	165
Total investments in group companies and associates	1,410,380	131,014	(141,142)	0	1,400,252

a) Equity instruments of Group companies:

The increases and decreases in 2012 and 2011 relate mainly to:

2012

1. Decrease of EUR 3,311 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 2012 the adjustment led to a decrease of EUR 3,311 thousand in its value, which was charged to the income statement for the year. The total negative net accumulated adjustment at 31 December 2012 amounted to EUR 10,802 thousand.
2. Decrease of EUR 2,831 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 2012 the adjustment led to a decrease of EUR 2,831 thousand in its value, which was charged to the income statement for the year. The total negative net accumulated adjustment at 31 December 2012 amounted to EUR 9,235 thousand.
3. Increase of EUR 150,000 thousand in the investment in the wholly-owned subsidiary Ebro Financial Corporate Services, S.L. through the non-monetary contribution of long-term receivables from other Group companies amounting to EUR 135,000 thousand and of short-term receivables from other Group companies totalling EUR 15,000 thousand (see Notes 2 and 8-b).

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.
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 in 2011 of the rice business in Spain of Deoleo and of the SOS trademark.
5. Increase of EUR 9,019 thousand in the investment in Herba Foods, S.L. arising from a capital increase to finance the acquisition in 2011 of Deolo's rice business in the Netherlands.
6. Increase of EUR 9,076 thousand arising from the contribution to the equity of the subsidiary Beira (Portugal), through the conversion into capital of the loan it had granted to that company.
7. Increase of EUR 48,285 thousand arising from the capital increase at the subsidiary Birkel Teigwaren (Germany). This capital increase resulted from the restructuring in Germany of the three (directly and indirectly) wholly-owned subsidiaries of Grupo Ebro Foods, S.A. 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.

b) Long-term loans to Group companies:

The most significant items under loans to Group companies in 2012 and at 31 December 2012 (see Note 17), relate to the following:

- ❖ The loan granted to Beira Terrace Soc. de Construções, Ltda., a wholly-owned Portuguese subsidiary, with an outstanding balance of EUR 165 thousand at 31 December 2012.

❖ In January 2012 the collection right arising mainly from the dividend declared and accrued in 2011 of Panzani, SAS, a wholly-owned French subsidiary. The balance receivable in this connection at 31 December 2011, amounting to EUR 135 million, was contributed in the capital increase at Ebro Financial Corporate Services, S.L., another wholly-owned subsidiary of Ebro Foods, S.A. (see Note 2).

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

c) Valuation adjustments:

The increases in 2012 and 2011 relate to the additional impairment losses recognised on the investments in Beira Terrace Soc. de Construções, Ltda., Birkel Teigwaren, GmbH and Dosbio, S.L.

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.

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

The direct ownership interests of Ebro Foods, S.A. in Group companies and associates at 31 December 2012 are presented in the following table:

SUBSIDIARY

	Investment	Valuation adjustment (b)	% of ownership	Location	Line of business	(a) Share capital % reserves	(a) 2012 profit (loss)	Dividend paid in 2012	Total equity	Profit (loss) from operations
Dosbio 2010, S,L,	21,519	(9,686)	100,00%	Madrid (España)	Fabricación de harinas	13,158	(1,325)	–	11,833	(2,067)
Fincas e Inversiones Ebro, S,A,	4,926	–	100,00%	Madrid (España)	Explotación agrícola	7,722	35	–	7,757	50
Azucarera Energías, S,A,	1,848	–	60,00%	Madrid (España)	Coogeneración	1,920	(419)	–	1,501	(466)
Arotz Foods, S,A,	22,864	–	100,00%	Madrid (España)	Conservas vegetales	30,281	446	–	30,727	170
Herba Foods S,L,	59,695	–	100,00%	Madrid (España)	Gestión de inversiones	86,380	(505)	–	85,875	(1,991)
Herba Ricemills S,L	153,451	–	100,00%	Madrid (España)	Producción y comercialización de arroz	192,206	21,751	–	213,957	31,818
Herba Nutrición S,L	526	–	100,00%	Madrid (España)	Producción y comercialización de arroz	11,627	425	(11,528)	524	557
Jiloca Industrial, S,A,	1,500	–	100,00%	Teruel (España)	Producción abonos orgánicos	1,716	457	(411)	1,762	688
Networks Meal Solutions, S,A,	2	–	100,00%	Madrid (España)	Inactiva	1	(1)	–	0	0
Fundación Ebro	0	–	100,00%	Madrid (España)	Fundación	302	0	–	302	0
Ebro Financial Corporate Services, S,L,	150,003	–	100,00%	Madrid (España)	Gestión de financiación y seguros	150,002	1,808	–	151,810	(162)
Beira Terrace Soc,de Const,, Ltda,	12,436	(10,916)	100,00%	Oporto (Portugal)	Inmobiliaria	9,336	(7,816)	–	1,520	(7,815)
Riceland, Ltda, (*)	597	–	20,00%	Budapest (Hungria)	Producción y comercialización de arroz	1,107	146	–	1,253	146
Riviana Foods Inc (Grupo) (**)	229,952	–	75,00%	Houston (Texas–USA)	Producción y comercialización de arroz	413,052	40,923	–	453,975	64,321
Panzani, SAS (Grupo)	440,838	–	100,00%	Lyon (Francia)	Producción y comerc, de pasta y salsas	489,429	35,097	–	524,526	58,833
New World Pasta Comp, (Grupo)	276,650	–	100,00%	Harrisburg (USA)	Producción y comerc, de pasta y salsas	437,192	32,301	–	469,493	51,350
Birkel Teigwaren GmbH (Grupo) (***)	87,078	(43,197)	68,90%	Alemania	Producción y comerc, de pasta y salsas	69,337	(5,649)	–	63,688	(9,053)
Ebro Foods Alimentación, S,A,	1	–	100,00%	México	Comercialización de arroz	1	361	–	362	505
Total	1,463,886	(63,799)						(11,939)		

(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 2012 was paid. To unify the information presented on the various companies or groups, 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 Riviana'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.

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

SUBSIDIARY

	Investment	Valuation adjustment (b)	% of ownership	Location	Line of business	(a) Share capital % reserves	(a) 2012 profit (loss)	Dividend paid in 2012	Total equity	Profit (loss) from operations
Dosbio 2010, S,L,	21,519	(8,362)	100,00%	Madrid (España)	Fabricación de harinas	14,252	(1,095)	–	13,157	(1,835)
Fincas e Inversiones Ebro, S,A,	4,926	–	100,00%	Madrid (España)	Explotación agrícola	7,526	196	–	7,722	281
Azucarera Energías, S,A,	1,848	–	60,00%	Madrid (España)	Cogeneración	1,761	159	–	1,920	160
Arotz Foods, S,A,	22,864	–	100,00%	Madrid (España)	Conservas vegetales	29,866	415	–	30,281	(17)
Herba Foods S,L,	59,695	–	100,00%	Madrid (España)	Gestión de inversiones	92,809	(332)	–	92,477	505
Herba Ricemills S,L	153,451	–	100,00%	Madrid (España)	Producción y comercialización de arroz	177,330	14,940	–	192,270	24,943
Herba Nutrición S,L	526	–	100,00%	Madrid (España)	Producción y comercialización de arroz	13,972	7,125	(9,896)	11,201	7,212
Jiloca Industrial, S,A,	1,500	–	100,00%	Teruel (España)	Producción abonos orgánicos	1,683	411	(378)	1,716	632
Networks Meal Solutions, S,A,	2	–	100,00%	Madrid (España)	Inactiva	1	(1)	–	0	(1)
Fundación Ebro	0	–	100,00%	Madrid (España)	Fundación	0	0	–	0	0
Beira Terrace Soc,de Const,, Ltda,	12,436	(8,096)	100,00%	Oporto (Portugal)	Inmobiliaria	9,521	(185)	–	9,336	(47)
Riceland, Ltda, (*)	597	–	20,00%	Budapest (Hungria)	Producción y comercialización de arroz	1,029	1	–	1,030	80
Riviana Foods Inc (Grupo) (**)	233,264	–	75,00%	Houston (Texas–USA)	Producción y comercialización de arroz	385,804	35,993	–	421,797	50,364
Panzani, SAS (Grupo)	440,838	–	100,00%	Lyon (Francia)	Producción y comerc, de pasta y salsas	593,653	36,958	(140,001)	490,610	62,745
New World Pasta Comp, (Grupo)	279,481	–	100,00%	Harrisburg (USA)	Producción y comerc, de pasta y salsas	407,982	36,364	–	444,346	55,908
Birkel Teigwaren Gmbh (Grupo) (***)	87,078	(28,197)	68,90%	Alemania	Producción y comerc, de pasta y salsas	106,687	(10,023)	–	96,664	(10,855)
Ebro Foods Alimentación, S,A,	3	–	100,00%	México	Comercialización de arroz	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 2012 was paid. To unify the information presented on the various companies or groups, 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 Riviana'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.

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 2012 and 2011 is as follows:

NON-CURRENT FINANCIAL INSTRUMENTS (ASSETS)

Categories	Equity instruments		Debt securities		Loans & receivables and derivatives		Total	
	12-31-12	12-31-11	12-31-12	12-31-11	12-31-12	12-31-11	12-31-12	12-31-11
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					27,216	137,704	27,216	137,704
Available-for-sale financial assets								
a) At fair value	29,905	45,428					29,905	45,428
b) At cost							0	0
Hedging derivatives							0	0
Total	29,905	45,428	0	0	27,216	137,704	57,121	183,132

CURRENT FINANCIAL INSTRUMENTS (ASSETS)

Categories	Equity instruments		Debt securities		Loans & receivables and derivatives		Total	
	12-31-12	12-31-11	12-31-12	12-31-11	12-31-12	12-31-11	12-31-12	12-31-11
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					19,300	32,100	19,300	32,100
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	19,300	32,100	19,300	32,100

AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

"Available-For-Sale-Financial Assets" relates to the EUR 47,756 thousand investment in Deoleo Corporación, S.A. made in December 2010 through the subscription of 95,510,218 shares in the capital increase performed by the aforementioned company at a cost of EUR 0.5 per share, representing 9.3% of the share capital thereof. 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 will be recognised in net profit or loss for the year.

At 31 December 2012, the fair value based on the market price of this investment was EUR 26,265 thousand (31 December 2011: EUR 41,069 thousand) equal to EUR 0.275 per share (31 December 2011: EUR 0.430 per share) and, therefore, a net decrease in value of EUR 10,363 thousand was recognised directly in equity at that date with respect to 31 December 2011 (a gross expense of EUR 14,804 thousand less EUR 4,441 thousand for the related tax effect). Also, on 30 June 2012, it was determined that this investment had become permanently impaired since its acquisition and, therefore, the cumulative impairment losses recognised in equity, at both 30 June 2012 and at 31 December 2012, amounting to EUR 15,044 thousand, were reversed to the income statement for 2012 and related to a gross expense of EUR 21,492 thousand (included under "Finance Costs") less EUR 6,448 thousand for the related 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. Following the disposal, the remaining investment in this company was recognised as an available-for-sale financial asset. 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 will be recognised in net profit or loss for the year.

At 30 June 2012, the investment related to 10,215,000 shares, representing 17.704% of the share capital. At 31 December 2011, the fair value based on the market price of this investment was EUR 2,758 thousand, equal to EUR 0.27 per share, and, therefore, a net expense of EUR 855 thousand was recognised in equity (a gross expense of EUR 1,221 thousand less EUR 366 thousand corresponding to the related tax effect). Additionally, on 30 June 2012 it was determined that this investment had become permanently impaired since its acquisition and, therefore, the cumulative impairment losses recognised in equity, amounting to EUR 3,027 thousand, were reversed to the income statement for 2012 and related to a gross expense of EUR 4,324 thousand (included under "Finance Costs") less EUR 1,297 thousand for the related tax effect.

In 2012, 1,056,249 shares of Biosearch, S.A. were sold. At 31 December 2012, this investment related to 9,706,000 shares of Biosearch, S.A. (31 December 2011: 10,762,249 shares), representing 16.82% (31 December 2011: 18.65%) of its share capital. At 31 December 2012, the fair value based on the market price of this investment was EUR 3,640 thousand (31 December 2011: EUR 4,359 thousand), equal to EUR 0.375 per share and, therefore, in accordance with current accounting legislation, this increase in value of EUR 713 thousand was recognised directly in equity (gross income of EUR 1,019 thousand less EUR 306 thousand for the related tax effect).

LOANS AND RECEIVABLES	12-31-12	12-31-11
Non-current financial instruments		
Loans to Group companies (Notes 8 & 17)	165	135,007
Loans to third parties	26,904	2,550
Long-term guarantees	147	147
	27,216	137,704
Current financial instruments		
Loans to Group companies (Notes 8 & 17)	0	15,036
Trade and other receivables (Note 10)	15,235	14,664
Loans to third parties	4,065	2,400
	19,300	32,100
Total	46,516	169,804

The balances of "Loans to Third Parties" in 2012 and 2011 relate mainly to:

- ❖ The deferred amount of the Alagón land sale, in accordance with the payment agreement reached in 2009, amounting to EUR 0 thousand in 2012 (2011: EUR 2,263 thousand) at long term and EUR 2,366 thousand in 2012 (2011: EUR 2,400 thousand) at short term. This account receivable earns implicit interest at 2.5% and has final maturity in June 2013.

- ❖ The deferred amount of the Nomen trademark sale, in accordance with the payment agreement reached in 2012 (see Note 5), amounting to EUR 26,904 thousand at long term and EUR 1,699 thousand at short term. This account receivable earns implicit interest at 4.2% and has final maturity in September 2025.

Exchange differences recognised in profit or loss

The detail, by class of financial instrument, of the exchange differences recognised in profit or loss in 2012 and 2011 is as follows:

EXCHANGE DIFFERENCES ALLOCATED TO PROFIT OR LOSS AS (EXPENSES)/INCOME

	Loands and receivables		Equity instruments of Group companies		Loans and payables		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
On transactions settled in the year	286	(905)	0	0	(12)	0	274	(905)
On transactions not yet settled at year-end	(18)	(645)	0	0	343	2,398	325	1,753
On foreign currency hedges	0	0	(6,142)	7,359	6,142	(7,359)	0	0
Total expense/(income) recognised in profit or loss	268	(1,550)	(6,142)	7,359	6,473	(4,961)	599	848

9.2 FINANCIAL LIABILITIES

The detail of the financial liabilities at 31 December 2012 and 2011 is as follows:

NON-CURRENT FINANCIAL INSTRUMENTS (LIABILITIES)

Categories	Bank borrowings		Debt instruments & other marketable securities		Derivatives and other payables		Total	
	12-31-12	12-31-11	12-31-12	12-31-11	12-31-12	12-31-11	12-31-12	12-31-11
Accounts payable	171,778	231,957			12	27	171,790	231,984
Liabilities at fair value through profit or loss:								
a) Held for trading							0	0
b) Other							0	0
Hedging derivatives							0	0
Total	171,778	231,957	0	0	12	27	171,790	231,984

CURRENT FINANCIAL INSTRUMENTS (LIABILITIES)

Categories	Bank borrowings		Debt instruments & other marketable securities		Derivatives and other payables		Total	
	12-31-12	12-31-11	12-31-12	12-31-11	12-31-12	12-31-11	12-31-12	12-31-11
Accounts payable	59,747	58,022			12,106	12,887	71,853	70,909
Liabilities at fair value through profit or loss:								
a) Held for trading							0	0
b) Other							0	0
Hedging derivatives					0		0	0
Total	59,747	58,022	0	0	12,106	12,887	71,853	70,909

a) **Bank borrowings:** see Note 13.

b) Derivatives and other payables:

The detail of the financial liabilities classified as derivatives and other payables is as follows:

(THOUSANDS OF EUROS)	2012	2011
Non-current		
Derivatives	0	0
Guarantees	12	27
	12	27
Current		
Derivatives	0	0
Trade and other payables	11,900	11,511
Other financial liabilities	116	1,376
	12,106	12,887

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 current legislation in the countries in which 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 is exposed to 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, due mainly 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.

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. 66.8% of the investment in the US is hedged in this way.

At 31 December 2012, "Non-Current Payables - Bank Borrowings" included two loans totalling USD 300.6 million (31 December 2011: USD 374 million) (see Note 13) and "Non-Current Payables to Group Companies and Associates" included a loan of USD 130 million (31 December 2011: USD 62 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 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 2012 and 2011 is as follows:

(THOUSANDS OF EUROS)	12-31-12	12-31-11
Trade receivables for sales and services	655	926
Receivable from Group companies and associates (Note 17)	8,216	8,238
Sundry accounts receivable	8	0
Employee receivables	71	127
Current tax assets (Note 15)	5,896	2,303
Other accounts receivable from public authorities	389	3,070
	15,235	14,664

Valuation adjustments: "Trade Receivables for Sales and Services" is presented net of write-downs. In 2012 these write-downs were increased by EUR 28 thousand (2011: EUR 0 thousand) and EUR 20 thousand (2011: EUR 0 thousand) were charged to profit or loss in this connection, signifying that the accumulated balance of the write-downs at 31 December 2012 totalled EUR 23 thousand (31 December 2011: 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 generally relate to bank deposits maturing, when arranged, at less than three months.

There are no restrictions on the availability of cash.

12. SHAREHOLDERS' EQUITY

a) Registered share capital: at 31 December 2012 and 2011, 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 2012, the direct and indirect ownership interests in the share capital of Ebro Foods, S.A. held by shareholders owning more than 3% of the share capital were 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 13,725,601 (2011: 13,588,347) shares representing 8.921% of the share capital (31 December 2011: 8.831%) and indirect holder, through Hispafoods Invest, S.L., of 10,707,282 (31 December 2011: 10,600,210) shares representing 6.959% of the share capital (31 December 2011: 6.889%). In total, holder of 24,432,883 (2011: 24,188,557) shares representing 15.879% of the share capital (31 December 2011: 15.721%).
- ❖ Sociedad Anónima Damm: indirect holder, through Corporación Económica Damm, S.A., of 15,000,000 (31 December 2011: 14,850,000) shares representing 9.749% of the share capital (31 December 2011: 9.651%).
- ❖ Sociedad Estatal de Participaciones Industriales: indirect holder, through Alimentos y Aceites, S.A., of 15,880,688 (31 December 2011: 15,721,882) shares representing 10.321% of the share capital (31 December 2011: 10.218%).
- ❖ Corporación Financiera Alba, S.A.: indirect holder, through Alba Participaciones, S.A., of 12,625,080 (31 December 2011: 12,498,830) shares representing 8.205% of the share capital (31 December 2011: 8.123%).
- ❖ USB, AG.: direct holder of 4,976,689 (31 December 2011: 0) shares representing 3.234% of the share capital (31 December 2011: 0%) and indirect holder of 384,832 (31 December 2011: 0) shares representing 0.250% of the share capital (31 December 2011: 0%). In total, holder of 5,361,521 (31 December 2011: 0) shares representing 3.484% of the share capital (31 December 2011: 0%).

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: 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 2012 and 2011, the 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 2012, the Parent made treasury share purchases and sales pursuant to authorisations granted by the shareholders at the Annual General Meetings held on 15 June 2011 and 29 May 2012, and, in accordance with current legislation, the Spanish National Securities Market Commission (CNMV) was notified accordingly. In 2012, 409,720 treasury shares were purchased, 2,255,161 treasury shares were sold and 1,538,653 shares were delivered to shareholders as a dividend in kind (see Note 12-g) below). At 31 December 2012, the Company did not hold any treasury shares.

In 2011 the Group made treasury share purchases and sales pursuant to authorisation 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 CNMV was notified accordingly. In 2011, 4,087,972 treasury shares were purchased 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 decision had been taken regarding the specific use to which these treasury shares would be put.

g) Dividends paid in 2012: Distribution of dividends approved by the shareholders at the Annual General Meeting held on 29 May 2012:

- ❖ It was resolved to distribute a dividend payable in cash with a charge to unrestricted reserves of EUR 0.60 per share for a total of EUR 92,309 thousand, of which EUR 0.15 per share had already been paid in 2011 and EUR 0.15 per share had been paid in January, May and September 2012.
- ❖ In addition, in accordance with Article 34 of the bylaws, it was resolved to distribute an extraordinary dividend payable through the delivery of treasury shares representing up to 1% of the share capital with a charge to the reserves recognised on the liability side of the balance sheet at 31 December 2011. A total of 1,538,653 shares were delivered on 11 December 2012 at one (1) share per ninety-nine (99) shares owned by each shareholder. Also, it was resolved to distribute a dividend relating to the dividend in kind as an interim payment for shareholders subject to tax withholdings under current tax legislation at the time of delivery, or the related cash equivalent in all other cases, which resulted in a total payment of EUR 6,673 thousand.

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 2012 and 2011 is as follows (in thousands of euros):

	2012	2012	2011	2011
	Non-current	Current	Non-current	Current
Bank borrowings drawn down in euros	-	-	-	-
Bank borrowings drawn down in US dollars	171,778	55,907	231,957	57,009
Credit facilities in euros	-	3,324	-	308
Unmatured accrued interest	-	516	-	705
Total	171,778	59,747	231,957	58,022

The long-term bank loans financed the investments in Riviana Inc (2004), Panzani SAS (2005) and New World 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 May 2005, novated in November 2006, April 2009 and August 2010, amounting, at 31 December 2012, to USD 110.5 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 is being 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.

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 2012 and 2011, all the ratios were being achieved.

In addition, at 31 December 2012, the Company had credit facilities at banks with a limit of EUR 17 million (31 December 2011: EUR 49 million) arranged as unsecured credit facilities, against which a total of EUR 3,324 thousand had been drawn down (31 December 2011: EUR 308 thousand). The average annual interest rate on these borrowings, excluding the long-term loans, is 3-month EURIBOR plus an average market spread of 2.0% (31 December 2011: 1.3%).

Also, the guarantees and other bank guarantees granted to third parties totalled EUR 11,276 thousand at 31 December 2012 (31 December 2011: 18,701 thousand) (see Note 16).

The repayment schedule of the bank borrowings is as follows:

Maturing in 2013	USD 73,666 thousand (EUR 55,907 thousand at 12-31-12)
Maturing in 2014	USD 36,833 thousand (EUR 27,894 thousand at 12-31-12)
Maturing in 2015	USD 95,000 thousand (EUR 71,942 thousand at 12-31-12)
Maturing in 2016	USD 95,000 thousand (EUR 71,942 thousand at 12-31-12)

14. LONG-TERM PROVISIONS

The detail of the provisions and of the changes therein in 2012 and 2011 is as follows:

LONG-TERM PROVISIONS (THOUSANDS OF EUROS)

	Employee benefit obligations			Other provisions for contingencies			Total
	Long-service bonuses	Long-term remuneration	Total	Guarantee for sugar business sale	Guarantee for dairy product business sale	Total	
Beginning balance: 31 December 2010	405	449	854	45,655	28,406	74,061	74,915
Charge for the year (reversal of provisions)	18	420	438	(19,362)	0	(19,362)	(18,924)
Amounts used	(40)	0	(40)	(18,865)	0	(18,865)	(18,905)
Adjustments due to interest cost	0	0	0	1,116	419	1,535	1,535
Ending balance: 31 December 2011	383	869	1,252	8,544	28,825	37,369	38,621
Charge for the year (reversal of provisions)	44	1,434	1,478	0	(20,934)	(20,934)	(19,456)
Amounts used	(251)	(449)	(700)	0	(7,891)	(7,891)	(8,591)
Adjustments due to interest cost	0	0	0	284	0	284	284
Ending balance: 31 December 2012	176	1,854	2,030	8,828	0	8,828	10,858

PROVISION FOR CONTINGENCIES - GUARANTEES ARISING FROM THE SALE OF THE SUGAR BUSINESS

At 31 December 2012, this heading included a provision of EUR 8,828 thousand (31 December 2011: EUR 8,544 thousand) to cover the buyer in the sale in 2009 of the sugar business from the litigation in process 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 2012: In 2012 there were no significant changes with respect to 2011 in the situation of the lawsuits relating to the sugar business on which a decision had not yet been handed down.

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.

PROVISION FOR CONTINGENCIES - GUARANTEES ARISING FROM THE SALE OF THE DAIRY PRODUCT BUSINESS

At 31 December 2012, the balance of this provision, amounting to EUR 0 thousand (31 December 2011: EUR 28,825 thousand), covered the buyer in the sale in 2010 of the dairy product business in connection with the resolution of the litigation relating to Puleva Food, S.L.

The provision for the outcome of litigation relating to the sale of the dairy product business related 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 constituted an adjustment to the selling price and, consequently were recognised as a decrease or increase in the gains of the year in which they were recognised or reversed.

In 2011 there were no new developments in relation to this litigation; however, in 2012 the liabilities relating to the payments arising from the definitive resolution of the most significant litigation corresponding to the dairy product business were recognised (and there is no other significant litigation in process in this connection). The consequence of the negotiated settlement of this litigation gave rise to the payment of EUR 7,891 thousand, including court ordered payments, penalties and court costs and, accordingly, the remainder of the provision amounting to EUR 20,934 thousand was reversed through "Excessive Provisions" in the income statement for 2012.

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 176 thousand (31 December 2011: EUR 383 thousand) recognised for these long-service bonuses at 31 December 2012 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 most recent actuarial studies at 31 December 2012 and 2011 were as follows:

- a) Annual discount rate of 2.85% (2010: 4.93%)
- b) Increase in salaries: a cumulative annual increase of 3% was assumed (2011: 3%).
- c) Mortality and life expectancy tables: PERM/F 2000P tables

LONG-TERM PROVISION FOR REMUNERATION OF EXECUTIVES

The provisions for 2012 and 2011 relate to the new 2010-2012 Plan (see Note 18), to be settled in 2012, 2013 and 2014.

15. TAX MATTERS

The detail of the tax receivables and payables at 31 December 2012 and 2011 is as follows:

(THOUSANDS OF EUROS)	12-31-12	12-31-11
Current		
Current tax assets	5,896	2,303
Other accounts receivable from public authorities	389	3,070
Current tax liabilities	0	0
Other accounts payable to public authorities	(5,273)	(5,321)
	1,012	52
Non-current		
Deferred tax assets	20,526	14,945
Deferred tax liabilities	(42,296)	(32,140)
	(21,770)	(17,195)

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 issue of tax assessments, which were signed on an uncontested basis at the beginning of March 2012, giving rise to a payment of EUR 2,047 thousand. 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 might arise from the various interpretations of tax legislation.

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), Ebro Financial Corporate Services, S.L., 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 its 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 tax loss for 2012 and 2011 is as follows:

INCOME TAX (THOUSANDS OF EUROS)

	2012		2011	
	Accrued	Tax	Accrued	Tax
Profit (Loss) before tax from continuing operations	(2,295)	(2,295)	143,632	143,632
Permanent differences	(4,258)	(4,258)	(139,626)	(139,626)
Permanent differences due to tax consolidation adjustments	(11,939)	(11,939)	(10,273)	(10,273)
Adjusted accounting loss	(18,492)	(18,492)	(6,267)	(6,267)
Temporary differences arising in the year		(8,395)		4,589
Temporary differences arising in prior years		(4,667)		(6,856)
Temporary differences due to tax consolidation adjustments		1,324		1,258
Tax loss of the Company	(18,492)	(30,230)	(6,267)	(7,276)
Tax charge at 30%	(5,547)	(9,069)	(1,880)	(2,183)
Tax credits	0	0	(8,747)	(8,747)
Prior year's tax adjustment	(281)	0	705	0
Total income tax: Expense (Income)	(5,828)	(9,069)	(9,922)	(10,930)

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

	2012	2011
Net tax refundable to Ebro Foods, S.A.	(9,069)	(10,930)
Tax pre-payments made in the year	(3,988)	0
Tax withholdings	(33)	(2,080)
Net tax refundable from prior years	(2,123)	(179)
Net tax payable by the rest of the companies in the tax group	9,317	10,886
Tax payable by (refundable to) the tax group	(5,896)	(2,303)

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

INCOME STATEMENT (THOUSANDS OF EUROS)

	2012	2011
Profit (Loss) before tax from continuing operations	(2,295)	143,632
Applicable tax rate	30%	30%
Theoretical tax charge	-689	43,090
Effect of:		
Non-deductible expenses	224	140
Non-computable income	(1,500)	0
Dividends within the tax group	(3,582)	(3,082)
Dividends within the accounting Group	0	(42,000)
Tax credits and other	(281)	(8,070)
	(5,828)	(9,922)
Tax expense (detail):		
Current	(9,069)	(10,930)
Deferred	3,522	303
Adjustment	(281)	705
Effective tax (benefit) expense	(5,828)	(9,922)

15.4 The detail of the temporary differences in 2012 and 2011 of Ebro Foods, S.A. is as follows:

TEMPORARY DIFFERENCES

	2012	2011
Increases		
Credit to long-term provisions for remuneration	1,434	420
Period provision for long-service bonuses	44	0
Impairment losses on investments in Group companies	19,144	3,940
Amortisation of trademarks for tax purposes	760	0
Available-for-sale financial assets	1,019	0
Period provision for remuneration and termination benefits	71	2,287
Total increases	22,472	6,647
Decreases		
Expense relating to amortisation of merger goodwill for tax purposes	401	2,007
Long-term provisions for remuneration used	449	0
Temporary difference due to amortisation of goodwill for tax purposes	4,266	3,746
Amortisation of trademarks for tax purposes	229	1,903
Payments of long-service bonuses	251	0
Payments of termination benefits	2,270	0
Non-computable gains	26,344	0
Total decreases	34,210	7,656
Total net temporary differences	(11,738)	(1,009)

15.5 The detail of the permanent differences in 2012 and 2011 of Ebro Foods, S.A., is as follows:

PERMANENT DIFFERENCES

	2012	2011
Increases		
Donations	537	448
Impairment losses on investments in Group and other companies	0	0
Other non-deductible expenses	228	19
Total increases	765	467
Decreases		
Adjustments for dividends of tax group subsidiaries	11,939	10,273
Adjustments for dividends of foreign subsidiaries	0	140,001
Amortisation of goodwill for tax purposes	23	92
Other non-computable gains	5,000	0
Total decreases	16,962	150,366
Total net permanent differences	(16,197)	(149,899)

The non-computable gains relate to the gains obtained on the sale of several trademarks in 2012 (see Note 5). Pursuant to Additional Provision Four of the Consolidated Spanish Corporation Tax Law, approved by Legislative Royal Decree 4/2004, of 5 March, the income obtained from the transfer of assets and liabilities performed in accordance with antitrust legislation is not included in the tax base if the amount obtained in the transfer is reinvested in a period of three years from the date of sale in the terms and conditions set forth in Article 42 of the aforementioned Law. The total reinvestment obligation amounts to EUR 32.5 million.

15.6 Ebro Foods, S.A. did not take any tax credits in 2012 and those taken in 2011 relate mainly to donations and to the reinvestment of gains obtained on sales of assets.

The reinvestments made by the Spanish tax group that could entitle it to take reinvestment tax credits amounted to EUR 5.0 million in 2012 (2011: EUR 115.3 million) (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 2010 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 2012, there were unused reinvestment tax credits amounting to EUR 32.5 million, which are conditional upon reinvestment by the Spanish tax group of EUR 500 million (within a time period that ends in August 2013).

15.7 The changes in 2012 and 2011 in the deferred tax assets and liabilities of Ebro Foods, S.A. were as follows:

(THOUSANDS OF EUROS)

	12-31-10	Additions	Reductions	Adjustments	12-31-11	Additions	Reductions	Adjustments	12-31-12
Deferred tax assets									
Merger goodwill	5,417		(602)		4,815		(119)		4,696
Intangible assets: Trademarks	2,977		(331)		2,646		(66)		2,580
Property, land and equipment: Land	129				129				129
Financial assets	0				0	306			306
Long-term provisions for remuneration	135	126			261	451	(135)		577
Provisions for long-service bonuses	123	5			128	13	(76)		65
Impairment losses on invest. in Group companies	6,848	2,899	(1,717)	(1,745)	6,285	5,744		144	12,173
Provisions for termination benefits	0	681			681		(681)		0
	15,629	3,711	(2,650)	(1,745)	14,945	6,514	(1,077)	144	20,526
Deferred tax liabilities									
Amortisation of goodwill for tax purposes	(33,316)	(1,124)			(34,440)	(1,213)		2,010	(33,643)
Amortisation of trademarks for tax purposes	0	(240)			(240)	(69)	229	34	(46)
Deferral of taxation of gains on sale of trademarks	0				0	(9,403)	1,500		(7,903)
Deferral of gains relating to the tax group	(398)				(398)				(398)
Fair value of financial assets	(15,472)		18,410		2,938		(3,244)		(306)
	(49,186)	(1,364)	18,410	0	(32,140)	(10,685)	(1,515)	2,044	(42,296)

16. GUARANTEE COMMITMENTS

At 31 December 2012 and 2011, the following bank guarantees had been provided:

	2012	2011
Guarantees received from banks		
For courts and agencies due to economic-administrative claims and deferral of taxes	4,500	17,931
To third parties to secure the fulfilment of ordinary trading obligations	770	770
Guarantees provided by Ebro Foods, S.A.		
Guarantees provided to banks for other companies	22,006	0

Guarantees were provided to courts and agencies in relation to claims, of which EUR 4,500 thousand remained outstanding at 31 December 2012 (31 December 2011: EUR 17,931 thousand). The purpose of these guarantees is 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 litigation in which these businesses were involved, although only certain litigation for a significant amount relating to the sugar business is still in progress. 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).

The guarantees provided to banks for other companies relate mainly to the guarantee that Ebro Foods, S.A. has provided for its wholly-owned subsidiary Herba Ricemills, S.L. in relation to a short-term credit facility.

17. ACCOUNTS WITH GROUP COMPANIES AND ASSOCIATES

Note 8 includes a list of subsidiaries and associates of Ebro Foods, S.A. In 2012 and 2011 transactions with associates did not represent a material amount.

In 2012 and 2011 the main transactions performed by the Company with Group companies and associates were as follows:

	2012		2011	
	Group companies	Associates	Group companies	Associates
Outside services	(581)		(446)	
Staff costs	0		0	
Finance costs	(2,440)		(2,139)	
Total purchases and costs	(3,021)	0	(2,585)	0
Services rendered and other income	6,695		6,579	
Finance income	2		1,822	
Income from dividends received	11,939		150,275	
Total sales and income	18,636	0	158,676	0

The balances of Ebro Foods, S.A. with Group companies and associates at 31 December 2012 and 2011 were as follows:

AT 31 DECEMBER 2012

Balances with Group companies and associates	Long-term loans	Accounts receivable	Short-term loans	Accounts payable		Payable to suppliers
				Non-current	Current	
Panzani, SAS		331				
Herba Foods, S,L,		139		(31,745)		(91)
Arotz Foods, S,A,		429		(28,682)	(54)	(7)
New World Pasta, Inc		196		(99,616)		
Ebro de Costa Rica, S,A,				(13,918)		
Ebro Riviana de Guatemala, S,A,				(8,119)		
Dosbio 2010, S,L,						(897)
Herba Ricemills, S,L,		5,510				(10)
Riviana Foods, Inc		193				
Ebro Financial Corporate Services, S,L,		701			(15,130)	
Grupo Lassie (Holanda)		191				
Jiloca, S,A,		199				
Fundación Ebro Foods					(301)	
Other companies (minor balances)	165	327		0	0	(1)
	165	8,216	0	(182,080)	(15,485)	(1,006)

AT 31 DECEMBER 2011

Balances with Group companies and associates	Long-term loans	Accounts receivable	Short-term loans	Accounts payable		Payable to suppliers
				Non-current	Current	
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)

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.

The 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 account payable to New World Pasta, Inc. had a nominal value of USD 130 million at 31 December 2012 (31 December 2011: EUR 62 million) and is hedging 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.

In the years ended 31 December 2012 and 2011 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.

In 2012 and 2011 Ebro Foods, S.A. did not 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 2012 and 2011 Ebro Foods, S.A. performed the following transactions with one director (in thousands of euros), in addition to the dividends and remuneration reflected in Notes 18.3 and 18.6.

Director	Type of transaction	Amount in 2012	Amount in 2011
Antonio Hernández Callejas	Lease (Expense)	36	0

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 were distributed (in thousands of euros):

- ❖ Dividends 2012:
 - Dividends to significant shareholders: 24,183 (2011: 35,120)
 - Dividends to directors and executives: 20,352 (2011: 26,340)

- ❖ In relation to the dividends distributed, the following is hereby disclosed:
 - Of the EUR 24,183 thousand paid in 2012 to significant shareholders, EUR 5,443 thousand related to the dividend payable in shares, with each share valued at EUR 14.20 (market price at 3 December 2012).
 - Of the EUR 20,352 thousand paid in 2012 to directors and executives, EUR 4,581 thousand related to the dividend payable in shares, with each share valued at EUR 14.20 (market price at that same date).

18.4 Other matters of interest

- ❖ Ebro Foods, S.A. has an ownership interest of less than 20% in Biosearch, S.A. (16.82% at 31 December 2012). This ownership interest is accounted for in the Ebro Group's financial statements as an available-for-sale-financial asset.

Biosearch, S.A. is a listed company with a similar object to that of Ebro Foods, S.A., and Miguel Ángel Pérez Álvarez, the Non-Director Secretary of the Board of Directors of Ebro Foods, is a proprietary director of Biosearch.

The transactions performed between Biosearch, S.A. and Ebro Foods in 2012 and 2011 related to the rendering of services amounting to EUR 90 thousand and EUR 58 thousand, respectively.

- ❖ Also, Ebro Foods, S.A. has an ownership interest of less than 20% in Deoleo, S.A. (9.3% at 31 December 2012). This ownership interest is accounted for in the Ebro Group's financial statements as an available-for-sale-financial asset.

Antonio Hernández Callejas, Chairman of the Board of Directors of Ebro Foods, S.A., is also a proprietary director of Deoleo.

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 15.879% therein (direct ownership interest of 8.921% and indirect ownership interest of 6.959% through Hispafoods Invest, S.L., in which it has a 100% direct and indirect 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.

- ❖ Dr. Rudolf-August Oetker:
 - Direct ownership interest of 12.5% 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 Dampfschiffahrts-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 Benelux, S.A.	Director
Danrice A/S	Director
Ebro América, 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. Nahrungsmittel, GmbH	Director acting severally
Vogan, Ltd.	Director

It is also indicated that Blanca Hernández Rodríguez is the Chair 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 2012 and 2011 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 on an arm's length basis.

18.6 Remuneration of the directors and executives

Remuneration of directors. In 2012 the remuneration earned by the members of the Board of Directors of Ebro Foods, S.A. amounted to EUR 4,508 thousand (2011: EUR 4,193 thousand), the detail being as follows (in thousands of euros):

DIRECTORS' REMUNERATION AND OTHER BENEFITS	2012	2011
Items of remuneration		
Attendance fees	306	297
Bylaw-stipulated profit sharing	2,565	2,565
Total non-executive directors	2,871	2,862
Wages, salaries and professional fees	1,637	1,331
Termination benefits and other		
Total executive directors	1,637	1,331
Total remuneration	4,508	4,193
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 28 February 2013 and at the proposal of the Recruitment and Remuneration Committee, the Board of Directors resolved to freeze the bylaw-stipulated profit-sharing for 2012 at EUR 2,565 thousand, without any change with respect to 2011 and 2010. This will entail proposing to the shareholders at the Annual General Meeting that 1.62% of the consolidated net profit attributable to the Company in 2012 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 breakdown, by director, of the remuneration in 2012 is as follows (in thousands of euros):

DIRECTOR

	Bylaw-stipulated profit sharing	Attendance fees	Fixed remuneration for executive functions	Variable remuneration for executive functions	Total
Hernández Callejas, Antonio	359.8	23.2	682	955	2,020
Carceller Arce, Demetrio	312.9	28	0	0	340,9
Alimentos y Aceites, S.A.	149.9	19.2	0	0	169,1
Barreiro Seoane, José (director until 05/29/12)	105.7	12	0	0	117,7
Castelló Clemente, Fernando	174.6	28.8	0	0	203,4
Comenge Sánchez-Real, José Ignacio	142.8	24	0	0	166,8
Daurella Comadrán, Sol	176.1	28.8	0	0	204,9
Del Pino y Calvo Sotelo, Leopoldo (director until 29/11/12)	206.1	20	0	0	226,1
Hernández Rodríguez, Blanca	170.9	28.8	0	0	199,7
Instituto Hispánico del Arroz, S.A	134.9	17.6	0	0	152,5
Nieto de la Cierva, José	209.9	20.8	0	0	230,7
Oetker, Rudolf-August	112.4	17.6	0	0	130
Ruiz-Gálvez Priego, Eugenio	142.8	24	0	0	166,8
Segurado García, José Antonio (director since 05/29/12)	166	13.6	0	0	179,6
Total	2,565	306	682	955	4,508

Of the total variable remuneration for the sole director who discharges executive duties, in 2012 EUR 343 thousand (2011: EUR 0 thousand) related to the Deferred Annual Variable Remuneration associated with the Group's 2010-2012 Strategic Plan for 2010. This amount was provisioned in the 2010 financial statements.

In addition to the total remuneration received in 2012 by the director who discharges executive duties, a EUR 1,297 thousand (2011: EUR 271 thousand) provision was recognised in the separate financial statements for 2012 as a provisional estimate of the Deferred Annual Remuneration System associated with the Group's 2010-2012 Strategic Plan, which represents 70% of the three-year period. This amount will be paid in 2014.

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.

Remuneration of executives. At 31 December 2012, Ebro Foods, S.A. had ten executives (31 December 2011: 12), the total aggregate remuneration of which in 2012 was EUR 4,500 thousand (31 December 2011: EUR 2,562 thousand), relating to the wages and salaries of the ten executives indicated plus the wages and termination benefits of two others whose relationship with the Company ended in 2012.

In relation to the executives (excluding the Executive Director) of Ebro Foods, S.A., included in the Deferred Annual Remuneration System associated with the Group's 2010-2012 Strategic Plan described in Note 26, EUR 5 thousand relating to 2010 was paid in 2012 (2011: EUR 0 thousand). This amount was provisioned in the financial statements for 2010. This amount was provisioned in the 2010 financial statements.

Also, a EUR 145 thousand (2011: EUR 71 thousand) provision associated with the Group's 2010-2012 Strategic Plan was recognised for 2012, which represents 70% of the three-year period. This amount will vest and be paid in 2014.

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 should be noted that the remuneration of all the executives of Ebro Foods, S.A. was taken into consideration, although they are not all senior executives.

Lastly, Ebro Foods, S.A. took out and has in force a third-party liability insurance policy covering its directors and executives with coverage for all its subsidiaries and an indemnity limit per annum of EUR 45 million, at an annual cost of EUR 68 thousand and in force until 30 April 2013. 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

2012

	At year-end		Total average
	Men	Women	
Executives	10	3	13
Middle management	16	8	24
Clerical staff	8	14	22
	34	25	59

2011

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

c) Fees paid to auditors

In 2012 (2011), 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 2012 amounted to EUR 220 thousand (2011: EUR 242 thousand) and those for other attest services amounted to EUR 48 thousand (2011: EUR 35 thousand).
- ❖ The fees for tax advisory and/or other services amounted to EUR 0 thousand (2011: EUR 0 thousand).

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

	12-31-12		12-31-11	
	Amount	%*	Amount	%*
Within the maximum payment period (**)	6,977	97.00%	6,770	98.90%
Remainder	216	3.00%	75	1.10%
Total payments made in the year	7,193	100.0%	6,845	100.0%
Weighted average period of late payment (in days)	33		29	
Payments at year-end not made in the maximum payment period	1		0	

* 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, establishing measures for combating late payment in commercial transactions.

20. EVENTS AFTER THE REPORTING PERIOD

On 15 February 2013 Ebro Foods, S.A. reached an agreement to acquire 25% of Riso Scotti S.p.A., the parent of the Scotti Group. Scotti is an Italian group specialising in rice production and processing and is the leading risotto rice producer in Italy. It has a wide range of products which it markets under the Scotti trademark in more than 70 countries. Its portfolio includes numerous high value-added products (rice and soy milk, rice biscuits, rice bran oil, ready meals, etc.) which bring the tradition of Italian cuisine up to date and are targeted at the premium sector. The price agreed upon for 25% of Riso Scotti amounted to EUR 18 million and, pending the completion of due diligence reviews, the transaction is expected to be completed prior to 31 May 2013.

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

21. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These financial statements are presented on the basis of the regulatory financial reporting framework applicable to the Company (see Note 2). Certain accounting practices applied by the Company that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.