

## Annual Financial Report>>

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## Analysis of Financial Information>>>>

FINANCIAL REPORT 2010

### Organic growth

After two years of widespread recession in developed economies, which bottomed out in the first half of 2009, the upturn in 2010 made it possible to gradually lift the tax measures imposed during that period. The general consensus is that the recovery is making progress, albeit at different speeds, and no relapses are expected unless the situation in the oil-producing countries leads to a supply crisis in this product.

In the developed economies, in which most of our business is concentrated, where recovery is still slow, weighed down by heavily leveraged markets such as the property market, and unemployment is high, households are still strongly inclined to save. This hampers the growth of consumption, which was the driving force behind recovery in earlier recessions. Even so, food price indexes in both the USA and the eurozone were positive at year-end after declining in 2009. This points to a recovery of consumer habits, which had changed due to the severity of the recession, as the numbers and values of meals out rise and the perception of value for money in products and distributors improves.



On the wheat and rice markets, which are the basis of our business, the price stability observed in the previous year continued into the beginning of 2010, with excellent crop expectations and large quantities in stock. However, the drought in the Black Sea production area brought export constraints on wheat from those countries as from June, which had an immediate knock-on effect on prices. From then on, uncertainty set in on the cereals markets with sweeping price rises, especially for wheat, which, together with the floods in south east Asia, lower quality than expected in the American long grain rice harvests and positioning on the futures markets, kept the prices high up to the end of the year.



Despite the weak recovery of the economy and consumption mentioned above, we maintained double-digit growth in the main business ratios. Net profits grew by 120.2% to €388,797 thousand. After stripping out discontinued operations, the performance is really outstanding, with a year-on-year growth of 38.7% to a total of €129,417 thousand.



The generation of funds, EBITDA, grew 11.4% year on year, with a CAGR of 10.1% over the period 2008-2010. The improvement across all the margins on the profit and loss account was achieved through the efforts made in the management of costs and supplies, constant investment in production (CAPEX of €69 million) and innovation and adaptation to consumer needs.

The earnings of the period, especially those from discontinued operations, reflect the sale of the dairy business. On 30 March 2010, Ebro Foods, S.A., 100% owner of its dairy business (shares in Puleva Food, S.L., shares in Lactimilk, S.A. and their brands) and Grupo Lactalis Iberia, S.A. (GLI) signed an agreement for the sale of the companies in the Ebro dairy division. The sale was concluded on 2 September 2010, once it had been approved by the anti-trust authorities.

According to the terms of the transaction, the Lactalis Group bought the dairy business for a debt-free sum of €630 million, which at the date of execution meant a total price of €645 million, received in full in 2010.

Following this transaction and in accordance with the International Financial Reporting Standards, the results of the dairy business up to the effective date of sale and the net profit earned thereon (and on other discontinued businesses, such as the sugar business sold in 2009) are shown as discontinued operations on the consolidated profit and loss account for the year and for the previous periods since its incorporation. The information included in this Directors' Report reflects that circumstance unless otherwise expressly stated.

The most significant financial figures of the Group are set out in the following table:

#### CONSOLIDATED FIGURES

(Thousand of euro)	2008	2009	2009-2008	2010	2010-2009	CAGR 2010-2008
Net Sales	1,874,475	1,765,397	(5.8%)	1,702,023	(3.6%)	(4.7%)
EBITDA	224,074	243,824	8.8%	271,549	11.4%	10.1%
% Net Sales	12.0%	13.8%		16.0%		
EBIT	169,216	190,666	12.7%	212,920	11.7%	12.2%
% Net Sales	9.0%	10.8%		12.5%		
Profit before tax	72,354	124,436	72.0%	193,362	55.4%	63.5%
% Net Sales	3.9%	7.0%		11.4%		
Taxes	(22,533)	(31,156)	38.3%	(63,945)	105.2%	68.5%
% Net Sales	(1.2%)	(1.8%)		(3.8%)		
Consolidated earnings (going concern)	49,821	93,280	87.2%	129,417	38.7%	61.2%
% Net Sales	2.7%	5.3%		7.6%		
Net earnings discontinued operations	82,049	79,543	(3.1%)	259,525	226.3%	77.8%
% Net Sales	4.4%	4.5%		15.2%		
Net profit	130,637	176,539	35.1%	388,797	120.2%	72.5%
% Net Sales	7.0%	10.0%		22.8%		
Average current assets (*)	587,423	323,230	(45.0%)	237,222	(26.6%)	
Capital employed (*)	1,669,991	1,176,282	(29.6%)	995,309	(15.4%)	
ROCE (1) (*)	13.3	20.4		21.3		
Capex (*)	96,497	87,414	(9.4%)	69,617	(20.4%)	
Average headcount	4,761	4,635	(2.6%)	4,984	7.5%	
	<b>12-31-08</b>	<b>12-31-09</b>	<b>2009-2008</b>	<b>12-31-09</b>	<b>2009-2008</b>	
Equity	1,203,131	1,280,322	6.4%	1,592,743	24.4%	
Net Debt (*)	1,055,853	556,800	(47.3%)	17,600	(96.8%)	
Average Debt (*)	1,208,078	716,725	(40.7%)	378,336	(47.2%)	
Leverage (2)	1.00	0.56		0.24		
Total Assets	3,422,912	2,684,465		2,885,030		

(\*) To keep these items consistent, they are calculated including both the results and the associated assets and liabilities of the discontinued operations

(1) ROCE = Operating income CAGR last 12 months / (intangible assets - property, plant & equipment - current assets)

(2) Ratio of average net financial debt with cost to equity (excluding minority interests)

Turnover dropped slightly as the raw materials price stability was passed on to customers in the first half of the year. The rising prices on those markets after that have forced us to announce higher prices, which were agreed on at the end of the year but have not yet had a material effect on annual sales. This price trend offsets the organic growth, with increased volumes on most of the markets in which we operate: sales of ready-to-serve rices and pastas increased by 20-20%, sales of pasta and sauces rose by 2.7% and 3.6% in France and volumes of pasta and rice grew in the United States by 1% and 3.8%.

We achieved a remarkable increase in yield. Improving on previous years, the EBITDA to sales ratio rose to 16% while the ROCE stood at 21.2%, thanks to the especially outstanding performance of the pasta business and current assets of the Group.

The results of continuing operations were pushed up by the increased yield, the funds generated in operations and smaller financial expenses. Financial expenses benefited from lower interest rates, reduced debt following the sale of the dairy business and streamlining of current assets.

The year-end debt position was especially satisfactory.

#### NET DEBT (CONSOLIDATED)

(Thousand of euro)	2008	2009	2009-2008	2010	2010-2009
Equity	1,203,131	1,280,322	6.4%	1,592,743	24.4%
Net Debt	1,055,853	556,800	(47.3%)	17,600	(96.8%)
Average Debt	1,208,078	716,725	(40.7%)	378,336	(47.2%)
Leverage	87.8%	43.5%	(50.4%)	1.1%	(97.5%)
Leverage AD (1)	100.4%	56.0%	(44.2%)	23.8%	(57.6%)
EBITDA	224,074	243,824	8.8%	271,549	11.4%
Hedging	4.71	2.28		0.06	

(1) Ratio of average net financial interest-earning debt to equity (excl. minority shareholders)

In recent years management has been geared towards focusing on our core businesses and achieving a structured reduction of financial leverage.

During 2010 the debt was reduced essentially as a result of the considerable generation of cash from operations and the sale of the dairy business. Thanks to this cash generation capacity, we have been able to pay a total dividend, ordinary plus extraordinary, of €154 million.

Our current position has earned us a vote of confidence by the market, pushing our share price up 9%, outstripping the market reference index (Ibex 35).

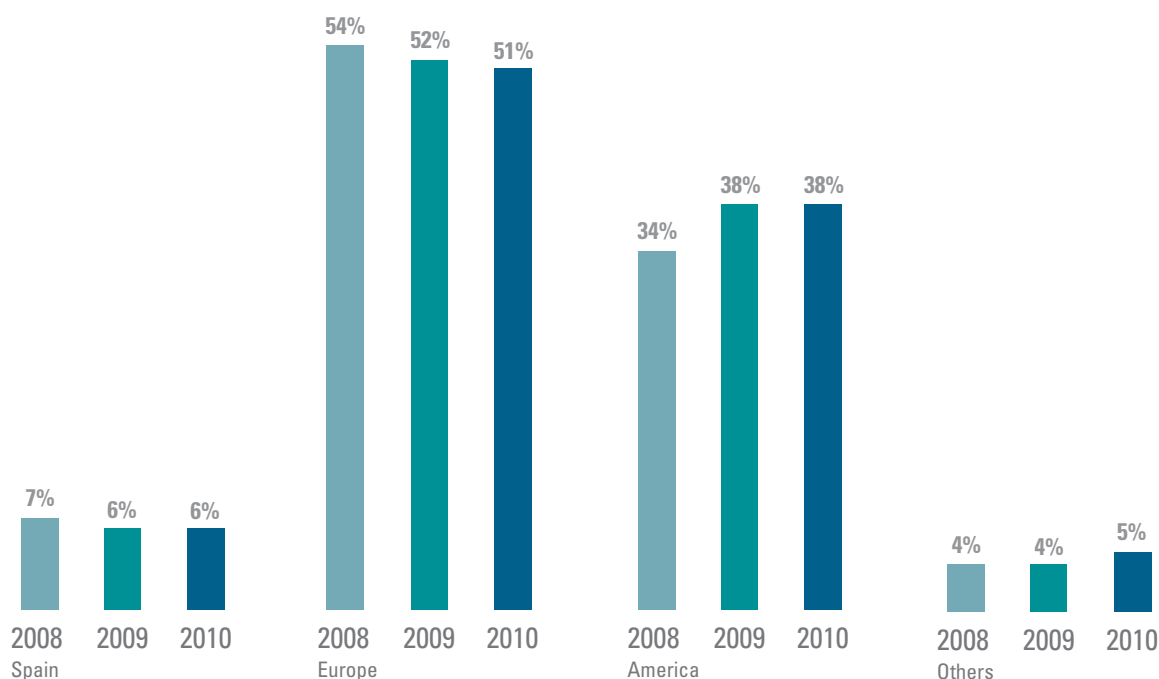
#### Fulfilment of the strategy

Our strategy is geared towards achieving leadership in the segments in which we operate. The divestment of the dairy business concludes the concentration on our core businesses and from now on we aim to grow in new markets or Meal Solutions products based on pasta or rice. Along these lines, we have announced the acquisition of the SOS rice division for a total of €205 million and an agreement to purchase the Australian group Ricegrowers Limited-SunRice (Sunrise), subject to approval by its shareholders, for 600 million Australian dollars.

In addition, our strategy was based on the following principles:

- Low risk exposure.** The structure of the Group gives us a geographically balanced source of income among developed countries that our management teams know well and where it is possible to share resources and develop synergies. The announced growth strategy focuses on these aspects. Moreover, our low financial leverage enables us to grow without exposure to financial storms.

The breakdown of sales by geographical areas is shown below:



We have achieved constant growth of recurring items in recent years in spite of the instability on the basic raw materials markets. Diversification of sources of supply was essential to achieve this, leading the Group to set up business in production areas and work constantly on adapting varieties and sources of grain to our customers' needs.

- Differentiation and innovation.** We believe in investing in the product from two points of view: strong innovation and development together with commitment to leading brands in the respective business segment. Consumer behaviour throughout the year has proved this strategy to be correct.

During the year we launched, or began the process for the launching of, rice dishes for the frying pan, a new range of frozen rice products, a broad array of pasta-based products to be eaten hot or cold, pasta with vegetables and quick-cooking pasta, new pastas for cooking 'au gratin' and new Halal dishes.

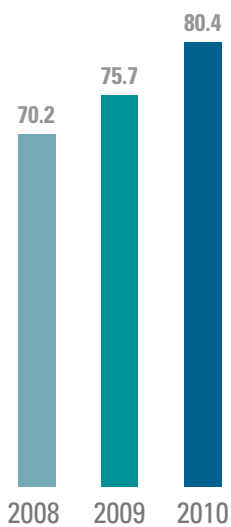
We have constantly stepped up our investment in advertising to back new products and underpin those already on the market. This investment is equivalent to 4.73% of turnover, or over 6.6% stripping out industrial sales. The following graph shows the evolution of this investment in recent years:





► **Growth and consolidation of synergies.** Ebro Foods is a Group specialising in food and strongly established in North America and Europe. Diversification is achieved through selective growth in areas where a strong integration of synergies is possible. During 2010 we made further progress in the total integration of our US businesses under one roof. The process, which has so far concentrated on the principal value levers such as the IT systems or the storage and logistics platform, will be completed during 2011.

**INVESTMENT IN ADVERTISING**  
 >>> Million of euro



Internal growth is based on innovation and differentiation. To achieve this, we embarked on an ambitious investment plan, which first contemplated building a new plant in the United States (now operative) and currently focuses on the partial renewal of the dry pasta lines and increasing our capacity in pasta-based dishes.

The comparable CAPEX (excluding investments in discontinued businesses) for the last three years is shown below:

YEAR	Amount (Thousand of euro)
2008	49,395
2009	78,658
2010	64,691

The impact of the new rice plant in Memphis can be seen in the 2009 figure.

## Information on the core businesses>>>

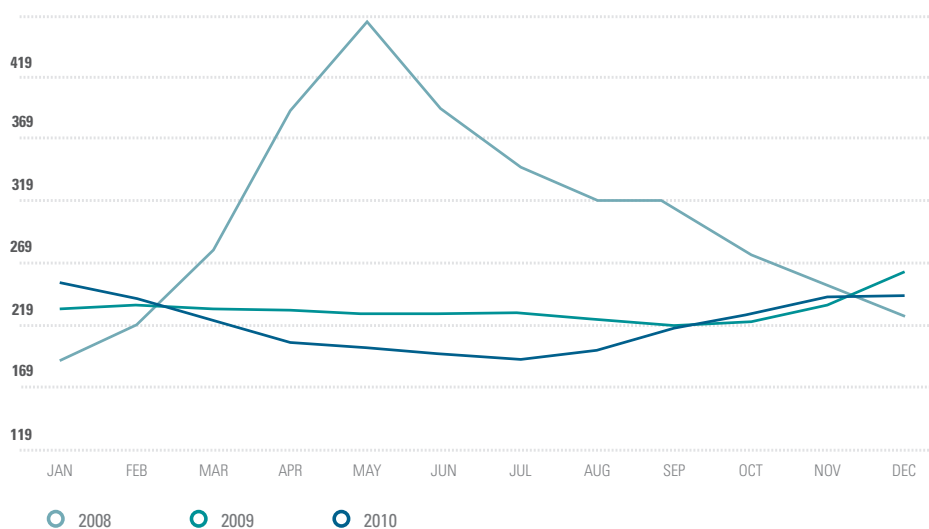
### Rice

#### RICE BUSINESS

(Thousand of euro)	2008	2009	2009-2008	2010	2010-2009	CAGR 2010-2008
Net Sales	890,969	836,147	(6.2%)	811,558	(2.9%)	(4.6%)
EBITDA	126,560	118,561	(6.3%)	123,263	4.0%	(1.3%)
% Net Sales	14.2%	14.2%		15.2%		
EBIT	105,724	97,575	(7.7%)	99,019	1.5%	(3.2%)
% Net Sales	11.9%	11.7%		12.2%		
Average current assets	263,281	185,446	(29.6%)	181,782	(2.0%)	
Capital employed	556,299	495,768	(10.9%)	506,347	2.1%	
ROCE	19.0	19.7		19.6		
Capex	20,044	55,138	175.1%	37,855	(31.3%)	

Rice prices came down over the first half of the year, with good crop expectations maintaining high levels of stock worldwide. This trend turned around as from the summer owing to the uncertainty deriving from the floods in Pakistan and Thailand, lower quality than expected in the American harvests and, finally, the spreading of instability to the prices of other cereals.

#### INDEX OF WORLD RICE PRICES (IPO)







Our sales dropped as a result of the evolution of prices on the market. Our performance was generally good in volumes, although differences were observed associated with the different rates of recovery from the recession in each country.

Ready-to-serve rice products maintain their 11.7% growth in volume in the USA, 14% in Canada, 9.2% in Germany and 11.4% in Spain (Nielsen Scantrack) and are now an important category on the market. The performance of the Group's brands was excellent: Minute far outstripped market growth in the USA (28.6% in volume) while Reis Fit has energised the German market.

A moderate growth of earnings was achieved (EBITDA up 4% year on year to €123 million) in spite of the start-up of the new factory in Memphis and the need to have it operating alongside the former plant, which dragged them down by €5 million. Comparison with 2008 is less favourable owing to the absence of trading operations in the Herba business.

Through the efforts made in the management of current assets, a ROCE of 19.6% was achieved, more or less on a par with the previous year, in which the division reached an all-time high.

The principal investments made by this division were in the new factory in Memphis, which operated alongside the old Houston plant during the year. The final investment totalled €103.6 million. This will be completed in 2011 with a ready-to-serve rice plant costing a further 7 million dollars.

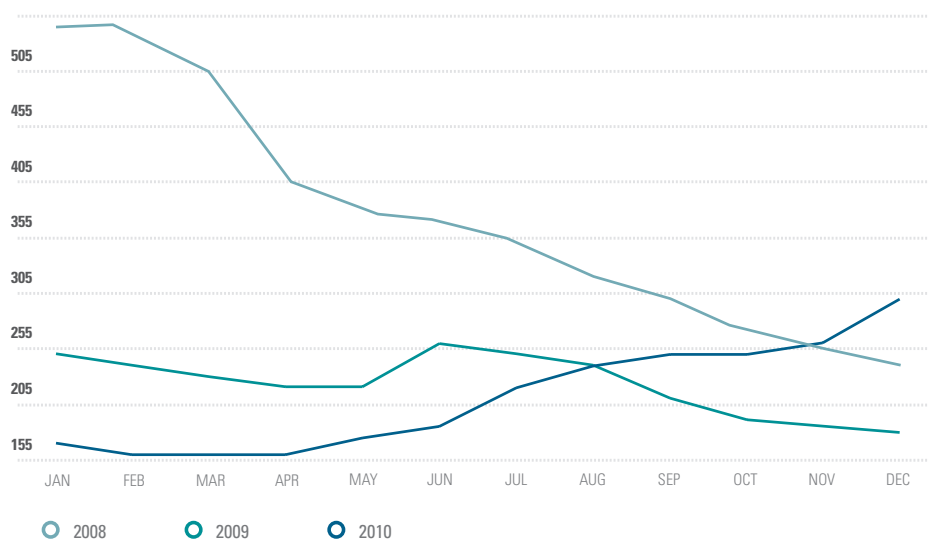
## Pasta

### PASTA BUSINESS

(Thousand of euro)	2008	2009	2009-2008	2010	2010-2009	CAGR 2010-2008
Net Sales	993,696	928,077	(6.6%)	916,101	(1.3%)	(4.0%)
EBITDA	105,993	137,057	29.3%	160,484	17.1%	23.0%
% Net Sales	10.7%	14.8%		17.5%		
EBIT	75,581	108,831	44.0%	133,741	22.9%	33.0%
% Net Sales	7.6%	11.7%		14.6%		
Average current assets	121,795	91,292	(25.0%)	60,427	(33.8%)	
Capital employed	511,570	469,915	(8.1%)	442,061	(5.9%)	
ROCE	14.8	23.2		30.3		
Capex	20,747	18,359	(11.5%)	32,652	77.9%	

Following a first half of the year with no major changes and a good crop year 2009/10, as from June and with the harvest, instability set in on the cereals markets, affecting the price of durum wheat which, being a narrow market, is highly sensitive to the evolution of prices of other cereals.

### PRICE OF DURUM WHEAT EUR / TON





**T**he sales of this business reflected the lowering of prices at source as they were passed on to customers and the absence of sales of bulk flour made by Panzani in previous years. Only in the last third of the year, in view of the evolution of raw material prices, did the Group start to announce price rises, which were not yet reflected in sales at year-end. Volumes did grow, however, following the upturn of the principal economies in which we operate.

The improvements were particularly significant in Panzani, boosted by a very ambitious innovation project which raised the market shares of its products to record levels, while positions were maintained in the USA and an organic growth plan was designed, to be launched in 2011, introducing numerous new products and based on the successful Panzani experience.

- ▶ The French dry pasta market grew by 1.4% while Panzani improved its share by 140 bp to 30.2%; the fresh pasta market grew by 1.9% while Panzani increased its market share by 230 bp to 33%.
- ▶ Pasta consumption grew by 0.1% in the USA in 2010, while NWP's market share rose by 10 bp to 23.9%.

A total of €55.2 million was invested in advertising, more than 6% of sales, to back a large number of launchings, which require heavy initial investment in the media.

The division EBITDA grew by 17.1% year on year to €160 million, beating the record growth recorded in the previous year. Accompanying this excellent performance, efforts made in the management of current assets pushed the ROCE up to 30.3%.

CAPEX increased considerably more than in previous years following commencement of the three-year investment plan in the division, contemplating a major renovation of the dry pasta plant and providing the capacity needed for the ready-to-serve pasta dishes project.



## Stock Market Information>>>>

FINANCIAL REPORT 2010

## Stock Market Information>>>

### Share performance

The Ebro Foods share ("EBRO") rose by 9% in 2010. In the same period, Ibex 35 fell by 17%, Ibex Med by 7% and Ibex Small by 18%, while the Eurostoxx Food and Beverage index, benchmark for European food sector shares, rose by 12%. We could say, therefore, that EBRO had a very stable stock market performance in comparison with its benchmark indexes.

**EBRO Vs. Indexes in 2010**



On analysing performance over the past two years, Ibex 35 rose 8%, Ibex Med 7%, Ibex Small was down 4%, the European food index Eurostoxx Food and Beverage rose by 56% and EBRO led the upside performance rising 62%.



**EBRO Vs. Indexes 2008 - 2010**



The average price of the share in 2010 was 14.36 euro and the market capitalisation at 30 December 2010 was €2,435 million, having closed that day at 15.83 euro per share.

During 2010 the EBRO share turnover was 1.11 times the total number of shares in the company, compared to 0.64 times in 2009. The average daily volume of trading during the year was 670,328 shares.

According to the information filed with the National Securities Market Commission (CNMV), 55% of the shares are free float and the remainder are held by shareholders who are represented on the Board.



## Activity of the Investor Relations Department



During 2010 the Investor Relations Department employed 50 days in road shows, visited 21 cities on 44 trips and held one-on-one meetings with 613 agents, 16% of whom were Spanish and 84% foreign. This is 21% more than in 2009 and 31% up on 2008.

CITIES	Trips	Days
Amsterdam	1	1
Andorra	1	1
Barcelona	2	2
Bilbao	1	1
Boston	3	3
Brussels	1	1
Chicago	1	1
Copenhagen	1	1
Dublin	2	2
Edinburgh	2	2
Frankfurt	2	2
Helsinki	1	1
Lisbon	2	3
London	7	10
Milan	3	3
New York	4	4
Nice	1	1
Oslo	1	1
Paris	5	7
Stockholm	1	1
Zurich	2	2
<b>Total</b>	<b>44</b>	<b>50</b>

The Investor Relations team was also present at the conferences organised by: SCH S&M Cap Conference Madrid, Spanish Mid Cap Event Paris, ESN European Mid & Small Cap Conference London, Société Générale European Small and Mid Cap Nice, UBS Pan European Conference, Banesto European Midcap Forum New York, Mid Cap Forum Madrid, BPI Iberian Small & Mid Cap Conference Cascais, Banesto S&M Cap Conference Madrid, Deutsche Iberian Seminar Madrid, Spain Investor Day, Exane MidCap Forum Paris and ESN Mid & Small Cap Conference London.

Moreover, in addition to the four quarterly presentations of results in 2010, a single-theme presentation entitled **"Full Flavour Meal Solutions"** was prepared for a special road show on the Panzani pasta business in London, Paris, Boston and New York.

## EBRO Coverage

Once again, analysts rated our company highly: at 31 December 2010, 85% of the recommendations issued on EBRO were “buy”, 7.5% “hold” and 7.5% “sell”.

A new firm started to cover EBRO in 2010: InterMoney, which began its coverage with a recommendation to buy and a target price of 17.8 €/share.

At present EBRO is covered by the following analysts:

Ahorro Corporación	InterMoney
Banesto Bolsa	JB Capital Markets, S. V.
Banco Sabadell	Kepler Capital Markets
Banco Espirito Santo	La Caixa
BBVA	Link Securities
BPI	Mirabaud
Caja Madrid	Merrill Lynch BOA
Chevvreux	Nmás1
Exane BNP Paribas	Santander Investment
Fidentiis	UBS

At year-end 2010, the average valuation by analysts gave EBRO a target price of 17.5 €/share, 9% higher than our market price on that date.

## EBRO Dividend

An ordinary dividend of €61.54 million (0.40 euro per share) was distributed in 2010 against the 2009 profits, in four quarterly payments made in April, July, October and December.

In addition, following the sale of the dairy business, the company announced an extraordinary dividend of €92.31 million (0.60 euro per share), also to be distributed in four payments, as follows:

- ▶ The first two payments coinciding with payment of the ordinary 2010 dividend in October and December.
- ▶ The following two payments coinciding with the ordinary dividend payments in April and July 2011.

The distribution of this dividend brought the payment in 2010 to €107.7 million, giving a total shareholder return of 4.42%.

For this year, the Ebro Foods board unanimously resolved on 22 December 2010 to put a motion to the general meeting proposing a dividend against the 2010 profits of 0.416 euro per share, in quarterly payments of 0.104 euro per share throughout 2011. This is a 4% increase on the ordinary dividend paid in 2010.



## Auditors' Report>>>>

FINANCIAL REPORT 2010

EBRO FOODS, S.A. (formerly Ebro Puleva, S.A.)  
Auditors' Report on Financial Statements for the year  
ended 31 December 2010.



*Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.*

## AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Shareholders of:  
Ebro Foods, S.A.

We have audited the financial statements of Ebro Foods, S.A., which comprise the balance sheet at 31 December 2010 and the related income statement, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended. The directors are responsible for the preparation of the Company's financial statements in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2 to the accompanying financial statements) and, in particular, with the accounting principles and rules contained therein. Our responsibility is to express an opinion on the financial statements taken as a whole based on our audit work performed in accordance with the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.

In our opinion, the accompanying financial statements for 2010 present fairly, in all material respects, the equity and financial position of Ebro Foods, S.A. at 31 December 2010, and the results of its operations and its cash flows for the year then ended, in conformity with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein.

Without qualifying our audit opinion, it should be noted that, as required by Spanish corporate law, the directors prepared separately the consolidated financial statements for the year ended 31 December 2010 of the Group of companies of which Ebro Foods, S.A. is the Parent, in accordance with International Financial Reporting Standards as adopted by the European Union. On this same date we have issued our auditors' report on the aforementioned consolidated financial statements, in which we expressed an unqualified opinion. The Group's main consolidated aggregates are disclosed in Note 1 to the accompanying financial statements.

The accompanying directors' report for 2010 contains the explanations which the directors consider appropriate about the Company's situation, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors' report is consistent with that contained in the financial statements for 2010. Our work as auditors was confined to checking the directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the Company's accounting records.

DELOITTE, S.L.  
Registered in ROAC under no. S0692



Miguel Plandor Román  
1 April 2011



## Financial Statements and Directors' Report>>>>

FINANCIAL REPORT 2010

EBRO FOODS, S.A. (formerly Ebro Puleva, S.A.)  
Financial Statements and Directors' Report for the year  
ended 31 December 2010

**Ebro Foods, S.A.**  
Balance sheets at 31 December 2010 and 2009

<b>ASSETS (Thousand of euro)</b>	<b>Notes</b>	<b>12-31-10</b>	<b>12-31-09</b>
<b>a) Non-current assets</b>		<b>1,296,565</b>	<b>1,412,773</b>
<b>I. Intangible assets</b>	<b>5</b>	<b>1,694</b>	<b>5,515</b>
3. Patents, licences, trademarks and similar items		25	5,515
5. Computer software		1,669	0
<b>II. Property, plant and equipment</b>	<b>6</b>	<b>3,214</b>	<b>9,149</b>
1. Land and buildings		549	7,424
2. Plant and other items of property, plant and equipment		2,665	1,725
<b>III. Investment property</b>	<b>7</b>	<b>12,031</b>	<b>9,604</b>
1. Land		7,276	4,879
2. Buildings		4,755	4,725
<b>IV. Non-current investments in Group companies and associates</b>	<b>8</b>	<b>1,157,595</b>	<b>1,338,802</b>
1. Equity instruments		1,150,248	1,306,257
2. Loans to companies	8, 9 y 17	7,347	32,545
<b>V. Non-current financial assets</b>	<b>9</b>	<b>106,402</b>	<b>27,636</b>
1. Equity instruments		99,331	0
2. Loans to third parties		6,924	27,489
5. Other financial assets		147	147
<b>VI. Deferred tax assets</b>	<b>15</b>	<b>15,629</b>	<b>22,067</b>
<b>b) Current assets</b>		<b>459,364</b>	<b>73,682</b>
<b>I. Non-current assets classified as held for sale</b>		<b>0</b>	<b>0</b>
<b>III. Trade and other receivables</b>	<b>9 y 10</b>	<b>7,906</b>	<b>33,125</b>
1. Trade receivables for sales and services		439	37
2. Receivable from Group companies and associates	17	6,397	7,675
3. Sundry accounts receivable		1	2,207
4. Employee receivables		79	8
5. Current tax assets	15	177	23,043
6. Other accounts receivable from public authorities	15	813	155
<b>V. Current financial assets</b>	<b>9</b>	<b>13,729</b>	<b>13,365</b>
2. Loans to third parties		13,729	13,365
<b>VI. Current prepayments and accrued income</b>		<b>27</b>	<b>67</b>
<b>VII. Cash and cash equivalents</b>	<b>11</b>	<b>437,702</b>	<b>27,125</b>
1. Cash		120,318	11,106
2. Cash equivalents		317,384	16,019
<b>Total assets</b>		<b>1,755,929</b>	<b>1,486,455</b>

The accompanying Notes 1 to 21 are an integral part of the balance sheet at 31 December 2010.



Ebro Foods, S.A.  
Balance sheets at 31 December 2010 and 2009

<b>EQUITY AND LIABILITIES (Thousand of euro)</b>	<b>Notes</b>	<b>12-31-10</b>	<b>12-31-09</b>
<b>a) Equity</b>		<b>1,084,030</b>	<b>827,574</b>
<b>a.1) Shareholders' equity</b>	12	<b>1,047,928</b>	<b>827,574</b>
<b>I. Share capital</b>		<b>92,319</b>	<b>92,319</b>
1. Registered share capital		92,319	92,319
<b>II. Share premium</b>		<b>5</b>	<b>5</b>
<b>III. Reserves</b>		<b>591,444</b>	<b>578,832</b>
1. Legal and bylaw reserves		18,464	18,464
2. Other reserves		572,980	560,368
<b>IV. Treasury shares</b>		<b>0</b>	<b>(7,727)</b>
<b>VII. Profit for the year</b>		<b>364,160</b>	<b>164,145</b>
<b>VIII. Interim dividend</b>		<b>0</b>	<b>0</b>
<b>a.2) Valuation adjustments</b>		<b>36,102</b>	<b>0</b>
<b>a.3) Grants, donations or gifts and legacies received</b>		<b>0</b>	<b>0</b>
<b>b) Non-current liabilities</b>		<b>561,231</b>	<b>568,233</b>
<b>I. Long-term provisions</b>	14	<b>74,915</b>	<b>65,417</b>
1. Provisions for long-term employee benefit obligations		854	4,151
4. Other provisions		74,061	61,266
<b>II. Non-current payables</b>	9	<b>279,545</b>	<b>405,764</b>
2. Bank borrowings	13	279,518	405,737
5. Other financial liabilities		27	27
<b>III. Non-current payables to Group companies and associates</b>	17	<b>157,585</b>	<b>66,159</b>
<b>IV. Deferred tax liabilities</b>	15	<b>49,186</b>	<b>30,893</b>
<b>c) Current liabilities</b>		<b>110,668</b>	<b>90,648</b>
<b>I. Liabilities associated with non-current assets classified as held for sale</b>		<b>0</b>	<b>0</b>
<b>III. Current payables:</b>	9	<b>86,510</b>	<b>79,224</b>
2. Bank borrowings	13	39,674	78,537
5. Other financial liabilities		46,836	687
<b>IV. Current payables to Group companies and associates</b>	17	<b>10,428</b>	<b>2,011</b>
<b>V. Trade and other payables:</b>	9	<b>13,730</b>	<b>9,413</b>
1. Payable to suppliers		3,394	1,870
2. Payable to suppliers - Group companies and associates		654	928
4. Remuneration payable		2,718	2,530
5. Current tax liabilities	15	903	0
6. Other accounts payable to public authorities	15	6,061	4,085
<b>VI. Current accruals and deferred income</b>		<b>0</b>	<b>0</b>
<b>Total equity and liabilities</b>		<b>1,755,929</b>	<b>1,486,455</b>

The accompanying Notes 1 to 21 are an integral part of the balance sheet at 31 December 2010.

## Ebro Foods, S.A.

Income statements for the years ended 31 December 2010 and 2009

(Thousand of euro)	Notes	12-31-10	12-31-09
<b>Continuing operations</b>			
<b>Revenue</b>		<b>16,777</b>	<b>74,823</b>
Services		4,497	0
Dividends from Group companies	8 y 17	11,962	73,174
Interest revenue from Group companies	17	318	1,649
<b>Other operating income</b>		<b>2,991</b>	<b>7,009</b>
Non-core and other current operating income		2,991	7,009
Income-related grants transferred to profit or loss		0	0
<b>Staff costs</b>		<b>(11,628)</b>	<b>(10,138)</b>
Wages, salaries and similar expenses		(9,989)	(7,501)
Employee benefit costs		(933)	(813)
Provisions		(706)	(1,824)
<b>Other operating expenses</b>		<b>(12,751)</b>	<b>(14,022)</b>
Outside services		(9,369)	(10,814)
Taxes other than income tax		(1,027)	(1,414)
Other current operating expenses		(2,355)	(1,794)
<b>Depreciation and amortisation charge</b>	5, 6 y 7	<b>(709)</b>	<b>(360)</b>
<b>Excessive provisions</b>		<b>0</b>	<b>59</b>
<b>Impairment and gains on disposals of non-current assets</b>		<b>171,882</b>	<b>17,667</b>
Impairment and other losses	6	(3,824)	0
Gains or losses on disposals and other	5 y 6	175,706	17,667
<b>Profit from operations</b>		<b>166,562</b>	<b>75,038</b>
<b>Finance income</b>		<b>5,642</b>	<b>2,519</b>
From marketable securities and other financial instruments:			
Associates	17	0	105
Third parties		5,642	2,414
<b>Finance costs</b>		<b>(9,659)</b>	<b>(17,807)</b>
On debts to Group companies and associates	17	(1,321)	(3,223)
On debts to third parties		(6,747)	(12,894)
Interest cost relating to provisions	14	(1,591)	(1,690)
<b>Exchange differences</b>	9	<b>(2,778)</b>	<b>879</b>
<b>Impairment and gains or losses on disposals of financial instruments</b>		<b>309,128</b>	<b>103,349</b>
Impairment and other losses	8	(15,893)	(4,329)
Gains or losses on disposals and other	8	325,021	107,678
<b>Financial profit</b>		<b>302,333</b>	<b>88,940</b>
<b>Profit before tax</b>		<b>468,895</b>	<b>163,978</b>
Income tax	15	(104,735)	167
<b>Profit for the year from continuing operations</b>		<b>364,160</b>	<b>164,145</b>
<b>Discontinued operations</b>			
Profit/Loss for the year from discontinued operations net of tax		0	0
<b>Profit for the year</b>		<b>364,160</b>	<b>164,145</b>

The accompanying Notes 1 to 21 are an integral part of the income statement for the year ended 31 December 2010.

## Ebro Foods, S.A.

### Statements of recognised income and expense for the years ended 31 December 2010 and 2009

(Thousand of euro)	Notes	12-31-10	12-31-09
<b>a) Profit per income statement</b>		<b>364,160</b>	<b>164,145</b>
<b>Income and expense recognised directly in equity</b>			
<b>I. Arising from revaluation of financial instruments.</b>			
1. Available-for-sale financial assets.	9	51,574	
2. Other income/expenses.			
<b>II. Arising from cash flow hedges.</b>			
<b>III. Grants, donations or gifts and legacies received.</b>			
<b>IV. Arising from actuarial gains and losses and other adjustments.</b>			
<b>V. Tax effect</b>		(15,472)	
<b>b) Total income and expense recognised directly in equity</b>		<b>36,102</b>	<b>0</b>
<b>Transfers to profit or loss</b>			
<b>VI. Arising from revaluation of financial instruments.</b>			
1. Available-for-sale financial assets.			
2. Other income/expenses.			
<b>VII. Arising from cash flow hedges.</b>			
<b>VIII. Grants, donations or gifts and legacies received.</b>			
<b>IX. Tax effect.</b>			
<b>c) Total transfers to profit and loss</b>		<b>0</b>	<b>0</b>
<b>Total recognised income and expense (a + b + c)</b>		<b>400,262</b>	<b>164,145</b>

The accompanying Notes 1 to 21 are an integral part of the statement of recognised income and expense for the year ended 31 December 2010.

**Ebro Foods, S.A.**

Statements of changes in total equity for the years ended 31 December 2010 and 2009

(Thousand of euro)

	Share Capital	Share premium	Reserves	Treasury shares	Prior years' profits (losses)	Profit (Loss) for the year	Other equity instruments	Valuation adjustments	Grants, donations or gifts and legacies received	Total
<b>Beginning balance at 12/31/08</b>	92,319	34,334	711,932	(62,031)	0	(12,584)	0	0	0	763,970
<b>I. Adjustments due to changes in policies</b>										0
<b>II. Adjustments due to errors</b>										0
<b>Adjusted balance at 1/1/09</b>	92,319	34,334	711,932	(62,031)	0	(12,584)	0	0	0	763,970
<b>I. Total recognised income and expense.</b>						164,145				164,145
<b>II. Transactions with shareholders or owners:</b>	0	(34,329)	(133,100)	54,304	0	12,584	0	0	0	(100,541)
Dividends paid.			(123,367)			12,584				(110,783)
Treasury share transactions (net).			(9,733)	20,091						10,358
Other transactions with shareholders		(34,329)		34,213						(116)
<b>III. Other changes in equity.</b>										0
<b>Ending balance at 12-31-09</b>	92,319	5	578,832	(7,727)	0	164,145	0	0	0	827,574
<b>I. Adjustments due to changes in policies</b>										0
<b>II. Adjustments due to errors</b>										0
<b>Adjusted balance at 1/1/10</b>	92,319	5	578,832	(7,727)	0	164,145	0	0	0	827,574
<b>I. Total recognised income and expense.</b>						364,160		36,102		400,262
<b>II. Transactions with shareholders or owners:</b>	0	0	12,612	7,727	0	(164,145)	0	0	0	(143,806)
Dividends paid.			10,411			(164,145)				(153,734)
Treasury share transactions (net).			2,201	7,727						9,928
Other transactions with shareholders										0
<b>III. Other changes in equity.</b>										0
<b>Ending balance at 12-31-10</b>	92,319	5	591,444	0	0	364,160	0	36,102	0	1,084,030

The accompanying Notes 1 to 21 are an integral part of the statement of changes in total equity for the year ended 31 December 2010.

## Ebro Foods, S.A.

### Statements of cash flows for the years ended 31 December 2010 and 2009

(Thousand of euro)	Notes	2010	2009
<b>Cash flows from operating activities</b>		<b>(83,624)</b>	<b>26,359</b>
<b>1. Profit for the year before tax.</b>		<b>468,895</b>	<b>163,978</b>
<b>2. Adjustments for:</b>		<b>(485,284)</b>	<b>(179,697)</b>
a) Depreciation and amortisation charge.	5,6 y 7	709	360
b) Impairment losses (+/-)	8	19,717	4,329
c) Changes in provisions (+/-)(+)	14	502	1,666
e) Losses on derecognition and disposal of non-current assets (+/-),	5	(175,706)	(17,667)
f) Losses on derecognition and disposal of financial instruments (+/-).	8	(325,021)	(107,678)
g) Finance income (-)		(5,960)	(2,519)
h) Finance costs (+)		9,659	17,807
i) Exchange differences (+/-)	9,1	2,778	(879)
k) Other income and expenses (-/+).		(11,962)	(75,116)
<b>3. Changes in working capital.</b>		<b>(3,449)</b>	<b>690</b>
b) Trade and other receivables (+/-)		179	(1,632)
d) Trade and other payables (+/-)		(330)	2,322
f) Other non-current assets and liabilities (+/-).		(3,298)	0
<b>4. Other cash flows from operating activities.</b>		<b>(63,786)</b>	<b>41,388</b>
a) Interest paid (-)		(6,989)	(14,764)
b) Dividends received (+).		11,241	62,674
c) Interest received (+).		4,598	2,886
d) Income tax recovered (paid) (+/-)		(72,636)	(9,408)
<b>Cash flows from investing activities</b>		<b>663,466</b>	<b>314,976</b>
<b>6. Payments due to investment (-)</b>		<b>(50,637)</b>	<b>(2,760)</b>
a) Group companies and associates		(2)	(2,658)
b) Intangible assets	5	(1,288)	0
c) Property, plant and equipment	6	(941)	(60)
d) Investment property	7	(650)	(40)
e) Other financial assets		(47,756)	(2)
<b>7. Proceeds from disposal (+)</b>		<b>714,103</b>	<b>317,736</b>
a) Group companies and associates		529,275	282,170
b) Intangible assets		181,111	30,006
c) Property, plant and equipment		1,089	9
d) Investment property		2,628	2,434
e) Other financial assets		0	2
g) Other assets		0	3,115
<b>Cash flows from financing activities</b>		<b>(169,196)</b>	<b>(314,208)</b>
<b>9. Proceeds and payments relating to equity instruments</b>		<b>9,928</b>	<b>9,062</b>
c) Purchase of treasury shares (-)		0	(10,211)
d) Disposal of treasury shares (+)		9,928	19,273
<b>10. Proceeds and payments relating to financial liability instruments</b>		<b>(73,814)</b>	<b>(214,927)</b>
<b>a) Issue of</b>		<b>137,558</b>	<b>4,050</b>
2. Bank borrowings (+)		12,037	0
3. Borrowings from Group companies and associates (+)		125,521	4,050
<b>b) Repayment of</b>		<b>(211,372)</b>	<b>(218,977)</b>
2. Bank borrowings (-)		(215,799)	(149,404)
3. Borrowings from Group companies and associates (-)		4,427	(69,573)
<b>11. Dividends and returns on other equity instruments paid</b>		<b>(105,310)</b>	<b>(108,343)</b>
a) Dividends (-)		(105,310)	(108,343)
<b>Effect of foreign exchange rate changes</b>		<b>(69)</b>	<b>(18)</b>
<b>Net increase/decrease in cash and cash equivalents</b>		<b>410,577</b>	<b>27,109</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>27,125</b>	<b>16</b>
<b>Cash and cash equivalents at end of year</b>		<b>437,702</b>	<b>27,125</b>

The accompanying Notes 1 to 21 are an integral part of the statement of cash flows for the year ended 31 December 2010.

## 1. Company activities

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

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

- a) The production, preparation, sale, research, export and import of all manner of food and dietary products for both human and animal consumption, in addition to energy food products, including their by-products and waste, and, in particular, of sugar and agricultural products, dairy products, rice, pasta and all manner of nutritional products, including special diets for clinical feeding and special formulas, products and compounds for sale in the pharmaceutical, healthcare, veterinary and biofuel industries.
- b) The production, exploitation and sale of all manner of food, soft and alcoholic beverages.
- c) The use of by-products and the provision of services or products of all types relating to the aforementioned activities, including refrigeration units, ice, industrial gas, steam, cooling and energy.
- d) The acquisition, lease, creation, installation, promotion, development and management of industrial, farming and livestock facilities in the food, nutrition and beverage (including alcohol) industries.
- e) The performance of projects and installation work and the provision of all manner of technical assistance for other companies in the aforementioned industries; the creation, promotion, protection and use of patents, trademarks and items of other kinds covered by intellectual property rights.
- f) Staff training, computer programming or management, investment and optimisation of resources, advertising and corporate image, transport, distribution and sale activities that are ancillary or complementary to the aforementioned activities.

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

Ebro Foods, S.A. is the head of the consolidated Group consisting of it, as the parent, and the subsidiaries and associates with which it presented separately consolidated financial statements for 2010, authorised for issue by the directors of Ebro Foods, S.A. on 30 March 2011. The consolidated financial



statements for 2009 were approved by the shareholders at the Annual General Meeting of Ebro Foods, S.A. on 1 June 2010 and were filed at the Madrid Mercantile Registry.

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., 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 2010 and 2009, 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:

(Thousand of euro)	At 12-31-10		At 12-31-09	
<b>Total assets</b>		<b>2,885,030</b>		<b>2,684,465</b>
<b>Equity:</b>		<b>1,607,446</b>		<b>1,298,160</b>
Of the Parent	1,592,743		1,280,322	
Of non-controlling interests	14,703		17,838	
<b>Revenue</b>		<b>1,702,023</b>		<b>1,765,397</b>
<b>Profit for the year:</b>		<b>388,942</b>		<b>172,823</b>
Of the Parent	388,797		176,539	
Non-controlling interests	145		(3,716)	

## 2. Basis of presentation of the financial statements

The figures included in the financial statements are expressed in thousand of euro 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 2010.

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 2009 were approved by the shareholders at the Annual General Meeting held on 1 June 2010.

### **Comparative information**

Royal Decree 1159/2010, of 17 September, was published in the Spanish Official State Gazette on 24 September 2010, introducing certain amendments to the Spanish National Chart of Accounts approved by Royal Decree 1514/2007.

In conformity with the transition rules established, these amendments were applied prospectively from 1 January 2010, the impact of which was not material. Similarly, in accordance with the aforementioned rules, the Company opted to present comparative figures without adapting to the new rules, and, accordingly, these financial statements are considered to be initial financial statements for the purposes of the principles of uniformity and comparability.

### **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 has expired from the date the corresponding tax returns have been filed. The directors consider that there are no contingencies that might result in additional material liabilities for the Company 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 based on 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 2010 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 2010 affecting the basis of presentation

In 2010 no corporate transactions took place that affected presentation comparability with prior years. However, the detail of prior years' corporate transactions for which information must be included in the financial statements of subsequent years is as follows:

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

See financial statements for 2003

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

See financial statements for 2003

### 3. Distribution of profit

(Thousand of euro)	Amount
<b>Basis of distribution</b>	
Unrestricted reserves	572,980
Profit for the year	364,160
	<b>937,140</b>

The profit distribution proposal prepared by the directors of Ebro Foods, S.A. at the Board of Directors Meeting of 30 March 2011, 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 2010 makes it possible to propose, as in prior years, to distribute an ordinary dividend payable in cash with a charge to unrestricted reserves of EUR 0.416 per share to be settled in four quarterly payments of EUR 0.104 each on 4 April, 4 July, 3 October and 22 December 2011 for a total of EUR 64,008 thousand.

#### **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 and measurement bases**

##### **a) Intangible assets**

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

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

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

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

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

##### **b) 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 fair value at the acquisition date. Following initial recognition, property, plant and equipment are measured at cost, less any accumulated depreciation and any accumulated impairment losses recognised.

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

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:

	<b>Depreciation rate</b>
Buildings	2.0 a 3.0%
Machinery, plant and tools	2.0 a 8.0%
Furniture and fittings	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 out of use. Buildings are depreciated using the straight-line method over an estimated useful life of 50 years.

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

#### **d) Asset exchange transactions**

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

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

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

#### **e) Impairment of non-financial non-current assets**

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

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

Impairment losses and reversals thereof are recognised in the income statement. Impairment losses are reversed when the circumstances giving rise to them cease to exist, 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 the lessee**

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

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

#### **If the Company acts as the 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. Loans and receivables are initially recognised in the balance sheet at fair value which, unless there is evidence to the contrary, is the transaction price, which is equal to the fair value of the consideration paid plus any directly attributable transaction costs. These financial assets are subsequently measured at amortised cost. However, trade receivables maturing within one year, with no contractual interest rate, and advances and loans to employees, dividends receivable and capital calls, expected to be received at short term are initially recognised and subsequently measured at their nominal value, whenever the effect of not discounting the cash flows is not material.

##### **1.2. *Held-to-maturity investments***

“Held-to-Maturity Investments” includes the debt securities with fixed maturity and fixed or determinable payments that are traded in an active market and which the Company has the positive intention and financial capacity to hold until maturity. They are initially recognised in the balance sheet at fair value which, unless there is evidence to the contrary, is the price of the transaction, which is equal to the fair value of the consideration paid plus any directly attributable transaction costs. These financial assets are subsequently measured at amortised cost.

##### **1.3. *Investments in Group companies, jointly controlled entities and associates***

These include equity investments in companies over which control, joint control by way of a bylaw or contractual agreement, or significant influence is exercised. They are initially recognised in the balance sheet at fair value which, unless there is evidence to the contrary, is the transaction price, which is equal to the fair value of the consideration paid plus any directly attributable transaction costs, except in the case of non-monetary contributions to a Group company in which the object is a business, when the investment is recognised



at the carrying amount of the assets composing the business. The amount initially recognised includes the amount of the pre-emptive subscription and similar rights acquired.

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

When an investment is classified as an investment in a Group company, jointly controlled entity or associate, the cost is considered to be the amount at which it had been carried previously, and any valuation adjustments previously recognised in equity are retained in equity until the investment is disposed of or becomes impaired. If the pre-emptive subscription and similar rights are sold or are segregated for exercise, the carrying amount of the respective assets will be reduced by the cost of the rights.

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

#### **1.4. *Held-for-trading financial assets***

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

They 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 fair value of equity instruments includes the amount of pre-emptive subscription and similar rights acquired.

“Held-for-Trading Financial Assets” are initially recognised 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.

“Available-for-Sale Financial Assets” are initially recognised at fair value which, unless there is evidence to the contrary, is the transaction price, which is equal to the fair value of the consideration given, plus any directly attributable transaction costs. The initial fair value of the equity instruments includes the pre-emptive subscription and similar rights acquired.

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

However, any exchange gains or losses on monetary financial assets denominated in foreign currency are recognised in the income statement.

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

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

#### **1.6 Hedging derivatives**

Hedging derivatives include the 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 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 considers as impaired assets (doubtful assets) to be 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 valued at amortised cost, the amount of impairment losses is equal to the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate. Financial assets tied to floating interest rates are discounted using the effective interest rate prevailing at the end of the reporting period. The Company considers trade and other receivables to be doubtful assets when they are more than six months past-due for which there is no guarantee of collection, together with balances relating to companies that have filed for insolvency.

The Company considers the fair value of listed instruments to be 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 its impairment. If all or a portion of the impairment loss subsequently reverses, these amounts are recognised under "Equity – Valuation Adjustments".

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

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

## **i) 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 re-acquire 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. Hedging derivatives**

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

### **2. Derecognition**

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

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

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

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

#### **j. Hedge accounting**

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

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

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

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

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

For measurement purposes, the Company classifies the hedges into 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 change 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.

#### **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 matured within three months from the acquisition date.
- They are not subject to a significant risk of changes in value.
- They form part of the ordinary cash management policy of the Company.

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) Government grants**

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

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

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

#### **n) Provisions and contingencies**

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

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

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

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

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, except when it corresponds to transactions recognised directly in equity, in which case the related tax is also recognised in equity, and to business combinations, in which case it is charged or credited to goodwill.

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **r) Current/Non-current classification**

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

#### **s) Revenue and expense recognition**

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

#### **Revenue from sales and services rendered**

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

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

- a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods, irrespective of their date of transfer for legal purposes;
- b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Company; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### **t) Discontinued operations**

Income and expenses from discontinued operations are included in a single line item, net of the related tax effect, under "Profit (Loss) for the Year from Discontinued Operations Net of Tax". It also includes 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 reporting currency is the euro.

Foreign currency transactions are translated on initial recognition at the spot exchange rate prevailing at the transaction date.

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

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

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

#### **v) 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.

#### **w) 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. The accompanying financial statements do not include any provision in this connection, since no situations of this nature are expected to arise.

#### **x) 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 2010 and 2009 is as follows:

### CARRYING AMOUNTS

	Trademarks and patents	Computer software	Total
Balance at 31 December 2008	5,515	0	5,515
Balance at 31 December 2009	5,515	0	5,515
Balance at 31 December 2010	25	1,669	1,694

### GROSS COST

	Trademarks and patents	Computer software	Total
Balance at 31 December 2008	12,210	94	12,304
Increases in the year			0
Decreases in the year	(195)		(195)
Transfers			0
Balance at 31 December 2009	12,015	94	12,109
Increases in the year		1,862	1,862
Decreases in the year	(9,298)		(9,298)
Transfers			0
Balance at 31 December 2010	2,717	1,956	4,673

### ACCUMULATED AMORTISATION

	Trademarks and patents	Computer software	Total
Balance at 31 December 2008	(6,695)	(94)	(6,789)
Increases in the year			0
Decreases in the year	195		195
Transfers			0
Balance at 31 December 2009	(6,500)	(94)	(6,594)
Increases in the year		(193)	(193)
Decreases in the year	3,808		3,808
Transfers			0
Balance at 31 December 2010	(2,692)	(287)	(2,979)

At 31 December 2010, the Company had fully amortised patents and trademarks amounting to EUR 2,600 (31 December 2009: EUR 3,028 thousand).

None of the intangible assets are located outside Spain. At the end of 2010 there were no firm intangible asset purchase commitments.

In 2009, as part of the sale of the sugar business (see Note 8-e), the proprietary trademarks and trade names related to the aforementioned business were sold, giving rise to a gain of EUR 30,000 thousand, which was recognised under "Impairment and Gains or Losses on Disposals of Non-Current Assets" in the 2009 income statement.

Also, in 2010, as part of the sale of the dairy product business (see Note 8-f), the proprietary trademarks and trade names related to the aforementioned business were sold giving rise to a gain of EUR 175,565 thousand, which was recognised under "Impairment and Gains or Losses on Disposals of Non-Current Assets" in the accompanying income statement for 2010.



In relation to the increases in the year, in January 2010 the Company acquired all the equipment and some of the employees of the systems department of Puleva Food, S.L. (wholly-owned subsidiary of Ebro Foods, S.A. until it was sold in August 2010 – see Note 8-f). In particular, software applications amounting to EUR 324 thousand and computer hardware amounting to EUR 313 thousand were acquired from Puleva Food, S.L. In addition, Ebro Foods, S.A. was subrogated to the support agreements with third parties (creditors) held by Puleva Food, S.L. and the services agreements to other Ebro Foods Group companies (debtors) and hired 11 employees from the systems department of Puleva Food, S.L.

The remaining computer software additions in 2010 relate to new investments in renewing and extending the systems.

## 6. Property, plant and equipment

The detail of “Property, Plant and Equipment” and of the changes therein in 2010 and 2009 is as follows:

### CARRYING AMOUNTS

	Land	Buildings	Plant and other items of property, plant and equipment	Property, plant and equip. in the course of construction	Total
Balance at 31 December 2008	6,711	757	1,929	0	9,397
Balance at 31 December 2009	6,711	713	1,725	0	9,149
Balance at 31 December 2010	307	242	2,665	0	3,214

### GROSS COST

	Land	Buildings	Plant and other items of property, plant and equipment	Property, plant and equip. in the course of construction	Total
Balance at 31 December 2008	6,711	2,233	2,871	0	11,815
Increases in the year			63		63
Decreases in the year			(28)		(28)
Transfers					0
Balance at 31 December 2009	6,711	2,233	2,906	0	11,850
Increases in the year			1,460		1,460
Decreases in the year	(4,424)	(1,083)	(93)		(5,600)
Transfers	(1,980)				(1,980)
Balance at 31 December 2010	307	1,150	4,273	0	5,730

### ACCUMULATED DEPRECIATION

	Land	Buildings	Plant and other items of property, plant and equipment	Property, plant and equip. in the course of construction	Total
Balance at 31 December 2008	0	(1,476)	(942)	0	(2,418)
Increases in the year		(44)	(258)		(302)
Decreases in the year			19		19
Transfers					0
Balance at 31 December 2009	0	(1,520)	(1,181)	0	(2,701)
Increases in the year		(18)	(440)		(458)
Decreases in the year		630	13		643
Transfers					0
Balance at 31 December 2010	0	(908)	(1,608)	0	(2,516)

There were no significant changes in property, plant and equipment in 2009. In 2010 the most significant changes were as follows:

- ▶ Increase due to the computer software acquired in 2010 (see Note 5).
- ▶ Decrease due to the sale of non-current assets to Puleva Food, S.L. (land and buildings relating to a property adjacent to the Company's factory in Granada) prior to the sale of the dairy product business to third parties (see Note 8-f), for which a EUR 3,824 thousand loss was recognised.
- ▶ Transfer to investment property of a property that ceased to be used in operations in 2010.

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

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 2010 and 2009 is as follows:

	2010	2009
Other plant, tools and furniture	211	185
Other items of property, plant and equipment	481	170

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

#### Operating leases

The Company has leased its central offices in Madrid until 6 April 2015 and the Barcelona office (which opened in 2009) until 1 December 2013. These leases will subsequently be automatically renewed if none of the parties object. In 2010 the expenses relating to these leases amounted to EUR 1,256 thousand (2009: EUR 985 thousand). The non-cancellable future minimum lease payments at 31 December 2010 were as follows:

	12-31-10
Within one year	1,256
Between one and five years	5,222
After five years	0
	<b>6,478</b>

## 7. Investment property

The detail of "Investment Property" and of the changes therein in 2010 and 2009 is as follows:

### CARRYING AMOUNTS

	Land	Buildings	Total
Balance at 31 December 2008	4,864	4,783	9,647
Balance at 31 December 2009	4,879	4,725	9,604
Balance at 31 December 2010	7,276	4,755	12,031

### GROSS COST

	Land	Buildings	Total
Balance at 31 December 2008	4,864	5,756	10,620
Increases in the year	66		66
Decreases in the year	(51)		(51)
Transfers			0
Balance at 31 December 2009	4,879	5,756	10,635
Increases in the year	500	150	650
Decreases in the year	(145)		(145)
Transfers of property, plant and equipment (Note 6)	2,042	(74)	1,968
Balance at 31 December 2010	7,276	5,832	13,108

### ACCUMULATED DEPRECIATION

	Land	Buildings	Total
Balance at 31 December 2008	0	(973)	(973)
Increases in the year		(58)	(58)
Decreases in the year			0
Transfers			0
Balance at 31 December 2009	0	(1,031)	(1,031)
Increases in the year		(58)	(58)
Decreases in the year			0
Transfers of property, plant and equipment (Note 6)		12	12
Balance at 31 December 2010	0	(1,077)	(1,077)

In 2010 items of investment property were disposed of for a carrying amount of EUR 145 thousand (2009: EUR 51 thousand), giving rise to a gain on these transactions of EUR 95 thousand (2009: EUR 538 thousand).

Investment property located outside Spain amounts to zero (2009: EUR 82 thousand) and corresponded to a small rural property not in use relating to the permanent establishment in Paraguay, which was sold in 2010.

The fully depreciated assets amount to EUR 81 thousand (2009: EUR 81 thousand).

The expenses associated with investment property correspond to those relating to their annual depreciation and maintenance costs. In 2010 the latter amounted to EUR 332 thousand (2009: EUR 484 thousand). All the expenses are recognised in the income statement on an accrual basis. There are no contractual obligations relating to the acquisition, construction or development of investment property or repairs, maintenance or improvements.

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

	31-12-10
Within one year	21
Between one and five years	84
After five years	0
	105

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 disposal.

## 8. Non-current investments in group companies and associates

The detail of the investments in Group companies and of the changes therein in 2010 and 2009 were as follows:

	Balance at 12-31-2008	Increases	Decreases	Transfers	Balance at 12-31-2009
Equity instruments of Group companies	1,336,466	1,863	(13,935)	0	1,324,394
Equity instruments of associates	0	0	0	0	0
Valuation adjustments	(13,808)	(4,329)	0	0	(18,137)
	<b>1,322,658</b>	<b>(2,466)</b>	<b>(13,935)</b>	<b>0</b>	<b>1,306,257</b>
Loans to Group companies	107,691	7,437	(82,583)	0	32,545
Loans to associates	3,117	105	(3,222)	0	0
	<b>110,808</b>	<b>7,542</b>	<b>(85,805)</b>	<b>0</b>	<b>32,545</b>
<b>Total investments in group companies and associates</b>	<b>1,433,466</b>	<b>5,076</b>	<b>(99,740)</b>	<b>0</b>	<b>1,338,802</b>

	Balance at 12-31-2009	Increases	Decreases	Transfers	Balance at 12-31-2010
Equity instruments of Group companies	1,324,394	51,368	(193,484)	0	1,182,278
Equity instruments of associates	0	0	0	0	0
Valuation adjustments	(18,137)	(13,893)	0	0	(32,030)
	<b>1,306,257</b>	<b>37,475</b>	<b>(193,484)</b>	<b>0</b>	<b>1,150,248</b>
Loans to Group companies	32,545	348	(25,546)	0	7,347
Loans to associates	0	0	0	0	0
	<b>32,545</b>	<b>348</b>	<b>(25,546)</b>	<b>0</b>	<b>7,347</b>
<b>Total investments in group companies and associates</b>	<b>1,338,802</b>	<b>37,823</b>	<b>(219,030)</b>	<b>0</b>	<b>1,157,595</b>

### a) Equity instruments of Group companies:

The increases and decreases each year relate mainly to:

#### 2010

1. Increase of EUR 18,941 thousand: the historical acquisition cost of the investment in Riviana Foods Inc. is EUR 240,753 thousand. However, an effective hedge was assigned to this financial asset that hedges its full value with the liability that finances it and, accordingly, any changes in value between the original currency, the US dollar, and its equivalent euro value gives rise to an adjustment that changes the aforementioned historical cost. In 2010 the adjustment led to an increase of EUR 18,941 thousand in its value credited to the income statement for the year. The total negative net accumulated adjustment at 31 December 2010 amounted to EUR 11,456 thousand.
2. Increase of EUR 13,999 thousand: the historical acquisition cost of the investment in New World Pasta Co. is EUR 285,884 thousand. However, an effective hedge was assigned to this financial asset that hedges its full value with the liability that finances it and, accordingly, any changes in value between the original currency, the US dollar, and its equivalent euro value give rise to an adjustment that changes the aforementioned historical cost. In 2010 the adjustment led to an increase of EUR 13,999 thousand in its value credited to the income statement for the year. The total negative net accumulated adjustment at 31 December 2010 amounted to EUR 9,795 thousand.
3. Decrease of EUR 2,581 thousand arising from the liquidation of the subsidiary Lince Insurance Ltd.

4. Increase of EUR 18,428 thousand arising from the contribution to equity of the subsidiary Birkel Teigwaren GmbH, through the capitalisation of the loan it had granted to that company (see point b) below).
5. Increase of EUR 2 thousand arising from the acquisition of all the share capital of Networks Meal Solutions, S.A. This company, a wholly-owned subsidiary, was acquired from Puleva Food, S.L., prior to its sale on 2 September 2010 (see section f) of this Note).
6. Decrease of EUR 190,903 thousand as a result of the sale of all the shares in Puleva Food, S.L. and Lactimilk, S.A. See section f) of this Note.

#### 2009

1. Decrease of EUR 5,617 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, will give rise to an adjustment that changes the aforementioned historical cost. In 2009 the adjustment gave rise to a reduction of EUR 5,617 thousand in its value with a charge to the income statement for the year and the total accumulated negative net adjustment amounted to EUR 30,397 thousand at 31 December 2009.
2. Reduction of EUR 7,147 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, will give rise to an adjustment that changes the aforementioned historical cost. In 2009 the adjustment gave rise to a reduction of EUR 7,147 thousand in its value with a charge to the income statement for the year and the total accumulated negative net adjustment amounted to EUR 23,794 thousand at 31 December 2009.
3. Decrease of EUR 47 thousand: sale of 0.12% of the ownership interest in Puleva Biotech, S.A., giving rise to a gain of EUR 49 thousand in 2009.
4. Reduction of EUR 919 thousand as a result of the reimbursement of share capital of the subsidiary Lince Insurance Ltd.
5. Decrease of EUR 205 thousand as a result of the reimbursement of the acquisition cost of the subsidiary Birkel Teigwaren GmbH.
6. Increase of EUR 1,848 thousand as a result of the acquisition of 60% of the share capital of Azucarera Energias, S.A. This acquisition was made from Azucarera Ebro, S.L., a wholly-owned subsidiary, prior to its sale on 30 April 2009 (see Section e) of this Note).
7. Increase of EUR 15 thousand due to the acquisition of an additional 0.06% of the share capital of Arotz Foods, S.A. (to increase the percentage of ownership of this company to 100%).

#### **b) Long-term loans to Group companies:**

The most significant items under loans to Group companies in 2010 and at 31 December 2010 (see Note 17), relate to the following:

- ▶ the loan granted in 2001 to Beira Terrace Soc. de Construções, Ltda., a wholly-owned Portuguese subsidiary, for the purchase of properties in Portugal.
- ▶ the loan granted in 2007 to Birkel, GmbH, a wholly-owned German subsidiary, of which EUR 18,428 thousand was capitalised in full as an increase in investment in 2010.
- ▶ the loan granted in 2008 to Dosbio 2010, S.L., a wholly-owned Spanish subsidiary, which was repaid (collected) in 2010.
- ▶ And the loan granted in 2009 to Azucarera Energías, S.A. (due to the subrogation of the loan previously granted to Azucarera Ebro, S.L.) a wholly-owned Spanish subsidiary, which was partially repaid (collected) in 2010.

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

#### **c) Long-term loans to associates:**

At the end of 2009 and 2010 the balance was zero. In 2009 the participating loan granted in 2004 to Biocarburantes de Castilla y León, S.A. (an associate of the Ebro Foods Group that was sold in 2009) was sold to third parties outside the Ebro Foods Group.

#### **d) Valuation adjustments:**

The increases in 2009 and 2010 correspond to the additional impairment loss recognised for the investments in Beira Terrace Soc. de Construções, Ltda. and Birkel Teigwaren, GmbH., and, in 2010 they also relate to the impairment loss recognised for the investment in Biosearch, S.A.

#### **e) Sale of the investment in Azucarera Ebro, S.L. in 2009**

On 15 December 2008, Ebro Foods, S.A., which owned all the shares of Azucarera Ebro, S.L., and Associated British Foods (ABF), which owns all the shares of British Sugar, executed the agreement for the sale of Azucarera Ebro, S.L. The sale took place, following the approval of the competition authorities, on 30 April 2009. The terms and conditions of the transaction that took place on 30 April 2009 were as follows:

- ▶ ABF acquired the sugar business for an amount clear of debt of EUR 385 million. The amount of the debt discounted was that existing at the date on which the transaction was concluded.
- ▶ Also, Ebro Foods received approximately EUR 150 million of other compensation relating mainly to the restructuring funds provided for in the reform of the common organisation of the markets (CMO) in the sugar sector.
- ▶ In addition, the agreement states that two Group companies wholly owned by Ebro Foods, S.A. have added to their real estate assets, through acquisitions, more than 200 hectares of land of various urban zoning classifications from Azucarera Ebro, S.L., valued at an estimated EUR 42 million.

Based on all the foregoing, and in accordance with current accounting legislation, the investment and other assets and liabilities relating to Azucarera Ebro, S.L., classified in the balance sheet at 31 December 2008 as held-for-sale, were derecognised in 2009.

The accounting effects of the sale of Azucarera Ebro, S.L. (AE) recognised in 2009 are summarised as follows:

	Cash flow realised	Cash flow not yet realised	Profit before tax
Distribution of the share premium by AE prior to its sale (recognised as a reduction in the value of the investment)	88,481	0	0
Dividends paid by AE prior to its sale	46,447	0	46,447
Sale of trademarks relating to the sugar business	30,000	0	30,000
Sale of all the shares of AE	193,219	31,800	165,019
Provisions for litigation guaranteed by EP (Note 14)	0	(57,387)	(57,387)
	<b>358,147</b>	<b>(25,587)</b>	<b>184,079</b>

A portion of the selling price of the shares of Azucarera Ebro, S.L. was deferred in the form of two instalments of EUR 10,000 thousand each payable in April 2010 and 2011 (with explicit interest of 12-month Euribor). The remaining EUR 11,800 thousand were expected to be collected or settled in 2010 or 2011 at the latest.

In 2010 the first collection was made of the portion of the deferred price amounting to EUR 12,145 thousand, and a EUR 21,063 thousand loss before the tax effect was recognised under "Impairment and Gains or Losses on Financial Instruments". The amounts recognised in profit or loss for 2010 result from new events that occurred during the year that affect both the estimates of the security interests provided to the purchaser of the sugar business and the selling price of this business by partially reducing the uncollected amounts that were deferred:

- As indicated in Note 14, on 20 July 2010, the Criminal Chamber of the Supreme Court handed down an unfavourable judgment whereby, in accordance with the commitments and guarantees assumed by Ebro Foods, S.A., as the seller, on 21 July 2010, the former paid ABF EUR 27.6 million. The interest that will foreseeably be paid in the coming months remains outstanding. With respect to the remaining guarantees for which provisions were recognised, there were no material changes in their position compared to the previous year. In 2010 the Company decided to increase the provision for these guarantees in order to cover all of the risk, which gave rise to an increased expense in 2010 of EUR 13,064 thousand.
- In addition, since it was ultimately not possible to collect certain amounts that were expected to be collected as a portion of the selling price and from the definitive settlement of the restructuring costs relating to the CMO of the sugar sector, an additional expense of EUR 7,999 thousand was recognised in 2010.

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

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

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

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

	Cash flow realised	Cash flow not yet realised	Profit before tax
Distribution of the share premium prior to its sale (recognised as a reduction in the value of the investment)	105,395		0
Sale of trademarks relating to the dairy product business	181,055		175,565
Sale of all the shares of Puleva Food, S.L. and Lactimilk, S.A.	458,977		373,468
Provisions for litigation guaranteed by Ebro Foods (Note 14)	0	(28,231)	(28,231)
	<b>745,427</b>	<b>(28,231)</b>	<b>520,802</b>



## g) Investment commitments

- ▶ On 25 November 2010, the Board of Directors of Ebro Foods, S.A. reached an agreement with the Board of Directors of the SOS Group to acquire its rice division for an initial estimated amount of EUR 195 million. At 31 March 2011, a framework agreement will be foreseeably entered into including the terms and conditions for the transfer of the rice divisions in Spain, the Netherlands and the US. The price agreed by the parties for the transfer of the aforementioned businesses ultimately amounted to approximately EUR 197 million. This amount includes adjustments to the initial price estimated relating to the overhead costs to be ultimately transferred with these business and which are inherent thereto.
- ▶ The definitive completion of the transaction was subject to the approval of SOS's principal creditor banks, which was granted in December 2010, and to approval by the competition authorities which is currently being processed. It is estimated that formalisation and execution of this agreement with the SOS Group will be completed in the first half of 2011.
- ▶ In addition, also in relation to the offer made by Ebro Foods, S.A. on 25 November 2010, on 30 March 2011, the acquisition of the rice trademarks relating to the Portuguese market of the SOS Group was formalised for approximately EUR 8 million.
- ▶ On 25 November 2010, the Board of Directors of Ebro Foods, S.A. resolved to make an offer for the acquisition of the Australian Group, Ricegrowers Limited-SunRice (SunRice), having completed the due diligence for this Group and finalised the wording of the definitive terms of the agreement (Scheme Implementation Agreement, SIA), which will be submitted for approval by SunRice's shareholders in May. In accordance with the definitive terms of the transaction, Ebro Foods, S.A. will purchase all of the share capital of SunRice for AUD 600 million (approximately EUR 440 million). As part of the agreements reached, Ebro will sign a Rice Acquisition Framework Agreement for the coming years, establishing a number of general principles to apply upon completion of the transaction, whereby SunRice undertakes to purchase rice harvests from Australian farmers using price-setting mechanisms, create a Farmers' Advisory Council and make a commitment towards the development of local communities and the promotion of R&D +i.  
The acquisition of SunRice is subject to the approval of 75% or more of the votes of the company's shareholders, and in conformity with Australian legislation, the approval of the Australian courts and competition authorities of the respective countries. In this respect, SunRice's shareholders will foreseeably approve the transaction in May 2011, subject to compliance with all the terms and conditions agreed upon in the SIA and the relevant approvals from the regulatory authorities.

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 are officially listed, except for Biosearch, S.A. which has been listed on the stock market since 17 December 2001. The average market price in the last quarter of 2010 and the year-end market price were EUR 0.70 (2009: EUR 1.19) and EUR 0.62 (2009: EUR 0.94), respectively, per share.

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 2010 are presented in the following table:

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

(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 2010 was paid. To unify the information presented relating to the various groups or companies, the figures relating to share capital, reserves and results are those obtained by applying the International Financial Reporting Standards adopted by the European Union.

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

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

The direct ownership interests of Ebro Foods, S.A. in Group companies and associates at 31 December 2009 are presented in the following table:

Subsidiaries (a)	Investment	Impairment loss	Percentage of ownership	Registered office	Line of business	(a) Share capital and reserves	(a) 2010 profit (loss)	Dividend paid in 2010	Total shareholders' equity	Profit (Loss) from operations
Dosbio 2010, S.L.	21,519	(7,104)	100.00%	Madrid (Spain)	Manufacture of flour	14,415	297	-	14,712	710
Fincas e Inversiones Ebro, S.A.	4,926	-	100.00%	Madrid (Spain)	Farming	13,332	5,326	10,500	29,158	6,702
Azucarera Energías, S.A.	1,848	-	60.00%	Madrid (Spain)	Combined heat and power generation	3,528	(1,547)	-	-	(686)
Arotz Foods, S.A.	22,864	-	100.00%	Madrid (Spain)	Preservation of vegetables	29,354	105	-	29,459	(468)
Puleva Food S.L. (Group)	180,612	-	100.00%	Granada (Spain)	Production of dairy products	269,318	29,537	10,876	309,731	38,131
Lactimilk, S.A.	10,292	-	100.00%	Granada (Spain)	Production of dairy products	21,315	5,148	-	26,463	9,146
Herba Foods, S.L.	50,676	-	100.00%	Madrid (Spain)	Investment management	83,653	(560)	-	83,093	(424)
Herba Ricemills, S.L.	69,078	-	100.00%	Madrid (Spain)	Production and sale of rice	75,583	949	-	76,532	2,778
Herba Nutrición, S.L.	526	-	100.00%	Madrid (Spain)	Production and sale of rice	11,977	7,110	4,988	24,075	9,293
Puleva Biotech, S.A. (Group)	20,365	-	50.90%	Granada (Spain)	Development and marketing of new products	37,018	(9,427)	-	27,591	(235)
Jiloca Industrial, S.A.	1,500	-	100.00%	Teruel (Spain)	Production of organic fertilizer	1,668	330	363	2,361	534
Beira Terrace Soc.de Const., Ltda.	3,360	(2,741)	100.00%	Oporto (Portugal)	Real estate	948	(329)	-	619	(172)
Riceland, Ltda. (*)	597	-	20.00%	Budapest (Hungary)	Production and sale of rice	1,180	(214)	-	966	38
Riviana Foods Inc (Group) (**)	210,356	-	75.00%	Houston (Texas-US)	Production and sale of rice	285,047	32,859	-	317,906	42,166
Panzani, SAS (Group)	440,838	-	100.00%	Lyon (France)	Production and sale of pasta and sauces	518,802	37,772	-	556,574	58,982
New World Pasta Comp. (Group)	262,091	-	100.00%	Harrisburg (US)	Production and sale of pasta and sauces	294,017	30,349	-	324,366	48,029
Lince Insurance Ltd.	2,581	-	100.00%	Dublin (Ireland)	Insurance	3,168	249	-	3,417	249
Birkel Teigwaren GmbH (Group)	20,365	(8,292)	100.00%	Germany	Production and sale of pasta and sauces	15,996	(3,021)	-	12,975	(2,806)
<b>Total</b>	<b>1,324,394</b>	<b>(18,137)</b>						<b>26,727</b>		
					Dividend paid by Azucarera Ebro, S.L. before it was sold			46,447		
								<b>73,174</b>		

(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 2010 was paid. To unify the information presented relating to the various groups or companies, the figures relating to share capital, reserves and results are those obtained by applying the International Financial Reporting Standards adopted by the European Union.

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

(\*\*) Ebro Foods, S.A. owns all the shares of this company, of which 75% are held directly and 25% indirectly through Riviana's wholly-owned 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 2010 and 2009 is as follows:

#### NON-CURRENT FINANCIAL INSTRUMENTS (ASSETS)

Categories	Equity instruments		Debt securities		Loans and receivables and derivatives		Total	
	12-31-10	12-31-09	12-31-10	12-31-09	12-31-10	12-31-09	12-31-10	12-31-09
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					14,418	60,181	14,418	60,181
Available-for-sale financial assets:								
a) At fair value	99,331	0					99,331	0
b) At cost							0	0
Hedging derivatives							0	0
<b>Total</b>	<b>99,331</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14,418</b>	<b>60,181</b>	<b>113,749</b>	<b>60,181</b>

#### CURRENT FINANCIAL INSTRUMENTS (ASSETS)

Categories	Equity instruments		Debt securities		Loans and receivables and derivatives		Total	
	12-31-10	12-31-09	12-31-10	12-31-09	12-31-10	12-31-09	12-31-10	12-31-09
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					21,635	46,490	21,635	46,490
Available-for-sale financial assets:								
a) At fair value							0	0
b) At cost							0	0
Hedging derivatives							0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21,635</b>	<b>46,490</b>	<b>21,635</b>	<b>46,490</b>

#### Available-for-sale financial assets

"Available-For-Sale-Financial Assets" relate to the investment in SOS Corporación, S.A. in December 2010 through the subscription of 95,510,218 shares of the capital increase performed by the aforementioned company at a cost of EUR 0.5 per share. It represents 9.3% of the share capital of SOS Corporación, S.A. This financial asset is recognised at fair value through equity, until it is derecognised or becomes impaired, at which time the amount thus recognised is allocated to the income statement. At 31 December 2010, the fair value per the market price of this investment was EUR 1.04 per share, and, therefore, a net gain of EUR 36,102 thousand was recognised directly in equity (a gross gain of EUR 51,574 thousand less EUR 15,472 thousand of its tax effect).

<b>LOANS AND RECEIVABLES</b>	<b>12-31-10</b>	<b>12-31-09</b>
<b>Non-current financial instruments</b>		
Loans to Group companies (Notes 8 and 17)	7,347	32,545
Loans to third parties	6,924	27,489
Long-term deposits	147	147
	<b>14,418</b>	<b>60,181</b>
<b>Current financial instruments</b>		
Trade and other receivables (Note 10)	7,906	33,125
Loans to third parties	13,729	13,365
	<b>21,635</b>	<b>46,490</b>
<b>Total</b>	<b>36,053</b>	<b>106,671</b>

The balance of "Loans to Third Parties" in 2010 relates mainly to:

- the deferred amount of the collection from the sale of the sugar business (see Note 8) amounting to EUR 2,261 thousand (2009: EUR 20,800 thousand) at long term and EUR 11,500 thousand (2009: EUR 11,000 thousand) at short term. This loan earns interest at Euribor, of which EUR 11,500 thousand mature in April 2011 and the remainder in the first quarter of 2012.
- the deferred amount of the Alagón land sale, in accordance with the payment agreements reached in 2009, amounting in 2010 to EUR 4,663 thousand (2009: EUR 6,689 thousand) at long term and EUR 2,229 thousand (2009: EUR 2,365 thousand) at short term. This loan earns implicit interest of 2.5% and matures in equal amounts in June 2011, 2012 and 2013.

#### Exchange differences recognised in profit or loss

The detail, by class of financial instrument, of the exchange differences recognised in profit or loss in 2010 and 2009 is as follows:

#### EXCHANGE DIFFERENCES RECOGNISED IN PROFIT OR LOSS AS (EXPENSE)/INCOME

	Loans and receivables		Equity instruments of Group companies		Loans and payables		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Due to transactions settled in the year	(75)	(24)	0	0	0	291	(75)	267
Due to transactions yet to be settled at the end of the year	(2)	33	0	0	(2,701)	579	(2,703)	612
Due to foreign currency hedges	0	0	32,940	(12,764)	(32,940)	12,764	0	0
<b>Total expense/(income) recognised in the income statement for the year</b>	<b>(77)</b>	<b>9</b>	<b>32,940</b>	<b>(12,764)</b>	<b>(35,641)</b>	<b>13,634</b>	<b>(2,778)</b>	<b>879</b>

## 9.2 Financial liabilities

The detail of "Financial Liabilities" at 31 December 2010 and 2009 is as follows:

#### NON-CURRENT FINANCIAL INSTRUMENTS (LIABILITIES)

Categories	Bank borrowings		Debt instruments and other marketable securities		Derivatives and other accounts payable		Total	
	12-31-10	12-31-09	12-31-10	12-31-09	12-31-10	12-31-09	12-31-10	12-31-09
Accounts payable	279,518	405,737			27	27	279,545	405,764
Liabilities at fair value through profit or loss								
a) Held-for-trading							0	0
b) Other							0	0
Hedging derivatives					0		0	0
<b>Total</b>	<b>279,518</b>	<b>405,737</b>	<b>0</b>	<b>0</b>	<b>27</b>	<b>27</b>	<b>279,545</b>	<b>405,764</b>

**CURRENT FINANCIAL INSTRUMENTS (LIABILITIES)**

Categories	Bank borrowings		Debt instruments and other marketable securities		Derivatives and other accounts payable		Total	
	12-31-10	12-31-09	12-31-10	12-31-09	12-31-10	12-31-09	12-31-10	12-31-09
Accounts payable	39,674	78,537			60,566	10,100	100,240	88,637
Liabilities at fair value through profit or loss								
a) Held-for-trading							0	0
b) Other							0	0
Hedging derivatives					0		0	0
<b>Total</b>	<b>39,674</b>	<b>78,537</b>	<b>0</b>	<b>0</b>	<b>60,566</b>	<b>10,100</b>	<b>100,240</b>	<b>88,637</b>

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

**b) Derivatives and other payables:**

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

(Thousand of euro)	2010	2009
Non-current		
Derivatives	0	0
Guarantees	27	27
	<b>27</b>	<b>27</b>
Current		
Derivatives	0	0
Trade and other payable	13,730	9,413
Outstanding dividends payable	46,160	0
Other financial liabilities	676	687
	<b>60,566</b>	<b>10,100</b>

The interim dividend payable relates to the amount payable, at 31 December 2010, of the extraordinary dividend approved by the shareholders at the Annual General Meeting of 1 June 2010. It corresponds to the third and fourth instalment of the aforementioned dividend payable on 4 April and 4 July 2011 (see Note 12-g).

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

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

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

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

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

**Foreign currency risk:** as a result of the significant investments in the US, the Company's balance sheet could be significantly affected by fluctuations in the USD/EUR exchange rate. The Company attempts to mitigate the effect of its exposure to structural foreign currency risk by obtaining loans in USD. Accordingly, 86.4% of the investment in the US is hedged in this way.

At 31 December 2010, "Non-Current Payables – Bank Borrowings" included two loans totalling USD 411 million (2009: USD 586 million) (see Note 13) and "Non-Current Payables to Group Companies and Associates" included a loan of USD 146 million (2009: EUR 0) (see Note 17), which were designated as a hedge of the net investments in US subsidiaries, and are used to hedge the Company's exposure to the foreign currency risk on these investments. The gains or losses on the translation of these loans to euros are recognised in the income statement and the gains or losses recognised in the translation of the net investments in subsidiaries are offset for the same amount (see Notes 8-a and 9.1).

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

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

## 10. Trade and other receivables

The detail of the trade receivables in 2010 and 2009 is as follows:

<b>(Thousand of euro)</b>	<b>12-31-10</b>	<b>12-31-09</b>
Trade receivables for sales and services	439	37
Receivable from Group companies and associates (Note 17)	6,397	7,675
Sundry accounts receivable	1	2,207
Employee receivables	79	8
Current tax assets (Note 15)	177	23,043
Other accounts receivable from public authorities	813	155
	<b>7,906</b>	<b>33,125</b>

**Valuation adjustments:** "Trade Receivables for Sales and Services" is presented net of write-downs. In 2010 (and 2009) there were no changes, and the impairment losses at 31 December 2010 amounted to EUR 15 thousand (2009: EUR 15 thousand).

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



## 11. Cash and cash equivalents

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

There are no restrictions on the availability of cash.

## 12. Shareholders' equity

**a) Registered share capital:** at 31 December 2010 and 2009 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.

The direct and indirect ownership interests in the share capital of Ebro Foods, S.A. held by shareholders owning more than 3% of the capital, is, at 31 December 2010 (2009), as follows, according to the information furnished to the Spanish National Securities Market Commission (CNMV) and to Ebro Foods, S.A.:

- ▶ Instituto Hispánico del Arroz, S.A.: direct holder of 13,588,347 (2009: 13,588,347) shares representing 8.831% (2009: 8.831%) and indirect holder, through Hispafoods Invest, S.L., of 10,600,210 (2009: 10,600,210) shares representing 6.889% (2009: 6.889%). In total, holder of 24,188,557 (2009: 24,188,557) shares representing 15.721% (2009: 15.721%).
- ▶ Sociedad Anónima Damm: indirect holder, through Corporación Económica Damm, S.A., of 14,350,000 (2009: 10,300,000) shares representing 9.326% (2009: 6.694%).
- ▶ Sociedad Estatal de Participaciones Industriales: indirect holder, through Alimentos y Aceites, S.A., of 13,315,016 (2009: 13,315,016) shares representing 8.654% (2009: 8.654%).
- ▶ Corporación Financiera Alba, S.A.: indirect holder, through Alba Participaciones, S.A., of 8,777,719 shares representing 5.70%. It became a significant shareholder on 9 September 2010.
- ▶ Lolland, S.A.: indirect holder, through Casa Grande Cartagena, S.L., of 7,693,290 (2009: 9,707,778) shares representing 5.000% (2009: 6.309%).

**b) Share premium:** The 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 2010 and 2009, 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 2009, the Company made treasury share purchases and sales pursuant to authorisations granted by the shareholders at the Annual General Meetings held on 28 April 2009 and 9 June 2008, and, in accordance with current legislation, the Spanish National Securities Market Commission (CNMV) was notified accordingly. In 2009 1,064,871 treasury shares were acquired and 1,849,002 were sold and, in addition, 3,628,135 shares were distributed in the form of an extraordinary stock dividend. At 2009 year-end the Company held 666,469 treasury shares representing 0.43% of its share capital. At 2009 year-end no decision had been taken regarding the specific use to which these treasury shares would be put.

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

**g) Dividends paid in 2010:**

The distribution of dividends approved by the shareholders at the Annual General Meeting held on 2 June 2010 was as follows:

- a) As a result of the Ebro Foods Group's consolidated profit for 2009, it was resolved to distribute an ordinary dividend payable in cash out of unrestricted reserves of EUR 0.40 per share in four quarterly payments of EUR 0.10 each, on 5 April, 1 July, 1 October and 23 December 2010, for a total of EUR 61,546 thousand.
- b) Also, and on an independent basis, with the condition that the dairy product business was successfully sold, an extraordinary dividend was approved consisting of a cash payment out of unrestricted reserves of EUR 0.60 per share (in addition to the ordinary dividend) in four payments of EUR 0.15 each, on 1 October and 23 December 2010 and 4 April and 4 July 2011, and totalling EUR 92,319 thousand (see Note 9.2-b).

#### h) Valuation adjustments

See Note 9.1

### 13. Bank borrowings

The detail of "Non-Current Payables - Bank Borrowings" and "Current Payables - Bank Borrowings" at 31 December 2010 and 2009 is as follows (in thousand of euro):

	2010		2009	
	Non-current	Current	Non-current	Current
Non-current bank borrowings drawn down in euros	-	-	-	71,000
Non-current bank borrowings drawn down in US dollars	279,518	27,602	405,737	-
Current credit facilities in euros	-	12,037	-	7,017
Unmatured accrued interest	-	35	-	520
<b>Total</b>	<b>279,518</b>	<b>39,674</b>	<b>405,737</b>	<b>78,537</b>

The long-term bank loans financed the investments in Riviana Inc (2004), Panzani SAS (2005) and New Word Pasta Company (2006) and are guaranteed by the subsidiaries Puleva Foods, S.L., (until August 2010 when it ceased to be guarantor), Herba Food, S.L., Herba Ricemills, S.L., Panzani SAS and Riviana Foods Inc., and relate to:

- A syndicated loan agreement entered into in November 2004, novated in May 2005 and again in November 2006 and April 2009, amounting to EUR 287.9 million, which was repaid in full in 2010 in accordance with the repayment schedule (At 31 December 2009, EUR 71 million remained outstanding). This euro loan bears annual interest at 1-, 3-, 6 or 12-month EURIBOR, plus a market spread.
- A syndicated loan agreement entered into in May 2005, novated in November 2006, April 2009 and August 2010, amounting to USD 221 million (an initial USD 440 million less USD 44 million repaid early in the April 2009 novation and less USD 175 million repaid early in the August 2010 novation), the principal of which will be repaid in six half-yearly instalments of USD 36.8 million from October 2011 onwards. This US dollar loan bears annual interest at 1-, 3-, 6- or 12-month LIBOR plus a market spread.
- Bilateral loan agreement entered into in November 2006 and novated in April 2009 and July 2010, amounting to USD 190 million, the principal of which will be repaid in four half-yearly instalments of USD 47.5 million from May 2015 onwards. This US dollar loan bears annual interest at 1-, 3-, 6- or 12-month LIBOR plus a market spread.

The Company must achieve at all times certain ratios over the term of the three 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 2010 and 2009, all the ratios were being achieved.

In addition, at 31 December 2010, the Company had credit facilities at banks with a limit of EUR 57 million (2009: EUR 46 million) arranged as unsecured credit facilities, against which a total of EUR 12,037 thousand had been drawn down (2009: EUR 7,017 thousand). The average annual interest rate on these borrowings, excluding the long-term loans, is 3-month EURIBOR plus an average market spread of 1% (2009: 0.783%).

Also, the guarantees and other bank guarantees granted to third parties totalled EUR 39,253 thousand at 31 December 2010 (31 December 2009: 67,011 thousand) (see Note 16).

The repayment schedule of the non-current bank borrowings is as follows:

Maturing in 2011	USD 36,833 thousand (EUR 27,602 thousand at 12-31-10)
Maturing in 2012	USD 73,666 thousand (EUR 55,032 thousand at 12-31-10)
Maturing in 2013	USD 73,666 thousand (EUR 55,032 thousand at 12-31-10)
Maturing in 2014	USD 36,833 thousand (EUR 27,602 thousand at 12-31-10)
Maturing in 2015	USD 95,000 thousand (EUR 70,926 thousand at 12-31-10)
Maturing in 2016	USD 95,000 thousand (EUR 70,926 thousand at 12-31-10)

#### 14. Long-term provisions

The detail of the provisions and of the changes therein in 2010 and 2009 is as follows:

##### LONG-TERM PROVISIONS (Thousand of euro)

	Employee benefit obligations			Other provisions for contingencies			Total	Total
	Long-service bonuses	Long-term remuneration	Total	Guarantees sale sugar business	Guarantees sale dairy product business	Other		
<b>Beginning balance: 31 December 2008</b>	168	2,159	2,327	0	0	2,248	2,248	4,575
Charge for the year	183	1,641	1,824	57,387	0	0	57,387	59,211
Amounts used	0	0	0	0	0	(59)	(59)	(59)
Adjustments due to the effect of the discount rate	0	0	0	1,690	0	0	1,690	1,690
<b>Ending balance: 31 December 2009</b>	351	3,800	4,151	59,077	0	2,189	61,266	65,417
Charge for the year	54	449	503	13,064	28,231	0	41,295	41,798
Amounts used	0	(3,800)	(3,800)	(27,902)	0	(2,189)	(30,091)	(33,891)
Adjustments due to the effect of the discount rate	0	0	0	1,416	175	0	1,591	1,591
<b>Ending balance: 31 December 2010</b>	405	449	854	45,655	28,406	0	74,061	74,915

##### Provision for contingencies – Guarantees arising from the sale of the sugar business

At 31 December 2010, this heading included a provision of EUR 45,655 thousand (2009: EUR 59,077 thousand) to cover the buyer in the sale in 2009 of the sugar business from the litigation in progress relating to Azucarera Ebro, S.L.

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

**Developments in 2010:** On 20 July 2010, the Criminal Chamber of the Supreme Court handed down an unfavourable judgment whereby, in accordance with the commitments assumed by Ebro Foods, S.A., as the seller, on 21 July 2010, the former paid ABF EUR 27.6 million. The interest that will foreseeably be paid in the coming months remains outstanding. With respect to the remaining guarantees for which provisions were recognised, there were no material changes in their position compared to the previous year, except for two, the resolution of which led to the additional payment of EUR 0.3 million to ABF. In 2010 the Company decided to increase the provision for these guarantees in order to cover all of the current risks, which gave rise to an increased expense in 2010 of EUR 13,064 thousand.

#### **Provision for contingencies– Guarantees arising from the sale of the dairy product business**

At 31 December 2010, this heading included a provision of EUR 28,406 thousand to cover the buyer in the sale in 2010 of the dairy product business from the litigation in progress relating to Puleva Food, S.L.

The provision for the outcome of litigation relating to the sale of the dairy product business relates to the guarantees provided to the buyer of the business which, in the event of an unfavourable outcome of the litigation, would lead to a reduction in the selling price of the dairy product business. The provisions recognised constitute an adjustment to the selling price and, consequently are recognised as a decrease in gains in the year in which they are recognised (see Note 8-f).

#### **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 405 thousand (2009: EUR 351 thousand) recognised for these long-service bonuses at 31 December 2010 represents the present value, calculated by an independent actuary, of the possible future payment obligations of the Company to its employees. The basic assumptions used in the latest actuarial study at 31 December 2010 (2009), were as follows:

- a) Applied annual discount rate of 4.08% (2009: 4.81%)
- b) Increase in salaries: a cumulative annual increase of 3% was assumed (2009: 3%).
- c) Mortality and life expectancy tables: PERM/F 2000P tables

#### **Provision for long-term remuneration of executives**

The most significant change in "Provision for Long-Term Remuneration of Executives," with respect to the balance at 31 December 2009, relates to the settlement of the Multi-Year Incentive Plan associated with the Ebro Foods Group's 2007-2009 Strategic Plan (see Notes 18.4 and 18.6 of the 2009 financial statements) and to the provision for the new 2010-2012 plan (see Note 18).

## 15. Tax matters

The detail of the tax receivables and payables at 31 December 2010 and 2009 is as follows:

<b>(Thousand of euro)</b>		
	<b>12-31-10</b>	<b>12-31-09</b>
<b>Current</b>		
Current tax assets	177	23,043
Other accounts receivable from public authorities	813	155
Current tax liabilities	(903)	0
Other accounts payable to public authorities	(6,061)	(4,085)
	<b>(5,974)</b>	<b>19,113</b>
<b>Non-current</b>		
Deferred tax assets	15,629	22,067
Deferred tax liabilities	(49,186)	(30,893)
	<b>(33,557)</b>	<b>(8,826)</b>

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.

The Company has the last four years open for review for all taxes applicable to it. The Company's directors do not consider it necessary to recognise provisions for any possible further contingencies that could arise from the various interpretations of the tax legislation since it is considered that if the tax authorities conduct a tax audit, the directors have sufficient grounds on which to justify the interpretation applied by the Company in its interpretation 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), Fincas e Inversiones Ebro, S.A., Dosbio 2010, S.L., Arotz Foods, S.A., Herba Foods, S.L., Herba Ricemills, S.L. (group), Herba Nutrition, S.L., Fallera Nutrición, S. L. and Jiloca, S.A. In 2009 it also included Puleva Food, S.L. and Lactimilk, S.A., which were sold in 2010.

### 15.2 The reconciliation of the net income and expense for the year to the taxable profit (tax loss) for 2010 and 2009 is as follows:

<b>INCOME TAX (Thousand of euro)</b>	<b>2010</b>		<b>2009</b>	
	<b>Accrued</b>	<b>Tax</b>	<b>Accrued</b>	<b>Tax</b>
<b>Profit before tax from continuing operations</b>	<b>468,895</b>	<b>468,895</b>	<b>163,978</b>	<b>163,978</b>
Permanent differences	2,396	2,396	3,974	3,974
Permanent differences relating to tax consolidation adjustments	(11,962)	(11,962)	(26,726)	(26,726)
<b>Adjusted accounting profit</b>	<b>459,329</b>	<b>459,329</b>	<b>141,226</b>	<b>141,226</b>
Temporary differences arising during the year		12,067		909
Temporary differences arising in other years		(14,341)		(13,237)
Temporary differences relating to tax consolidation adjustments		0		0
2007 tax loss carryforwards		0		(7,536)
<b>Taxable profit of the Company</b>	<b>459,329</b>	<b>457,055</b>	<b>141,226</b>	<b>121,362</b>
Tax charge at 30%	137,799	137,117	42,368	36,408
Tax credits	(38,477)	(38,557)	(44,975)	(38,121)
Permanent establishment tax		0		12
Prior year's tax adjustment	5,413	0	2,428	2,564
<b>Total income Tax: Expense (Income)</b>	<b>104,735</b>	<b>98,560</b>	<b>(167)</b>	<b>851</b>

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

	2010	2009
Net tax payable by Ebro Foods, S.A.	98,560	851
Prepayments made during the year	(105,453)	(36,136)
Withholdings	(477)	(441)
Net tax payable by the rest of the companies in the tax group	8,273	12,683
<b>Tax payable by (refundable to) the Tax Group</b>	<b>903</b>	<b>(23,043)</b>

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

<b>INCOME STATEMENT (Thousand of euro)</b>		
	2010	2009
Profit before tax from continuing operations	468,895	163,978
Applicable tax rate	30%	30%
<b>Theoretical tax charge</b>	<b>140,669</b>	<b>49,193</b>
<b>Effect of:</b>		
Non-deductible expenses	752	1,244
Dividends within the tax group	(3,589)	(8,018)
Tax credits and other	(33,097)	(42,585)
	<b>104,735</b>	<b>(167)</b>
<b>Tax expense (detail):</b>		
Current	98,560	851
Deferred	762	(894)
Adjustment	5,413	(124)
<b>Effective tax expense (income)</b>	<b>104,735</b>	<b>(167)</b>

**15.4** The detail of the temporary differences in 2010 and 2009 at Ebro Foods, S.A. is as follows:

<b>TEMPORARY DIFFERENCES</b>		
	2010	2009
<b>Increases</b>		
Charge to long-term provision for remuneration	503	1,824
Amortisation of trademarks for tax purposes	1,830	0
Deferral of tax credit for foreign investment	7,500	7,500
Impairment loss relating to group companies	15,723	0
<b>Total increases</b>	<b>25,556</b>	<b>9,324</b>
<b>Decreases</b>		
Tax expense relating to amortisation of merger goodwill	2,007	2,007
Provision used for long-term remuneration	3,800	0
Temporary difference relating to the amortisation of goodwill for tax purposes	18,731	18,731
Amortisation of trademarks for tax purposes	1,103	914
Other non-deductible provisions	2,189	0
<b>Total decreases</b>	<b>27,830</b>	<b>21,652</b>
<b>Total net temporary differences</b>	<b>(2,274)</b>	<b>(12,328)</b>

15.5 The detail of the permanent differences in 2010 and 2009 at Ebro Foods, S.A., is as follows:

#### PERMANENT DIFFERENCES

	2010	2009
<b>Increases</b>		
Surcharges and penalties	0	3
Donations	299	59
Impairment loss relating to Group and other companies	2,189	4,000
Other non-deductible expenses	17	80
<b>Total increases</b>	<b>2,505</b>	<b>4,142</b>
<b>Decreases</b>		
Adjustments for dividends of tax group subsidiaries	11,962	26,726
Reversal of impairment losses for investments in subsidiaries	0	0
Amortisation of goodwill for tax purposes	109	109
Other non-computable income	0	59
<b>Total decreases</b>	<b>12,071</b>	<b>26,894</b>
<b>Total net permanent differences</b>	<b>(9,566)</b>	<b>(22,752)</b>

15.6 The tax credits at Ebro Foods, S.A. in 2010 and 2009 relate mainly to the double taxation of dividends (due mainly to the tax credit arising on the sale of Puleva Food, S.L. and Lactimilk, S.A. in 2010 and from the sale of Azucarera Ebro, S.L. in 2009), donations and the reinvestment of gains from asset sales.

The amount of reinvestments made by the Spanish tax group that entitled it to take tax credits for the reinvestment of income in 2010 was EUR 47.7 million (2009: EUR 1.5 million) (EUR 16.2 million, EUR 11.2 million and EUR 76.3 million, in the period from 2008 to 2006, respectively. These amounts were invested 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 2010, there were unused reinvestment tax credits amounting to EUR 49.1 million, which are conditional upon reinvestment by the Spanish tax group of EUR 818 million (within a time frame that ends mainly in August 2013).

15.7 The changes in 2010 and 2009 in the deferred tax assets and liabilities of Ebro Foods, S.A. were as follows:

#### (Thousand of euro)

	12-31-08	Additions	Reductions	Adjustments	12-31-09	Additions	Reductions	Adjustments	12-31-10
<b>Deferred tax assets</b>									
Merger goodwill	6,621		(602)		6,019		(602)		5,417
Intangible assets: Trademarks	3,308				3,308		(331)		2,977
Property, plant and equipment: Land	129				129				129
Long-term provisions for remuneration	648	492			1,140	135	(1,140)		135
Provisions for long-service bonuses	52	55			107	16			123
Provisions for contingencies	656				656		(656)		0
Impairment loss relating to companies in the tax group	2,131				2,131	4,717			6,848
Tax asset due to 2007 tax base	0		(2,261)	2,261	0				0
Tax credit carryforwards	2,087	6,854		(364)	8,577		(80)	(8,497)	0
	<b>15,632</b>	<b>7,401</b>	<b>(2,863)</b>	<b>1,897</b>	<b>22,067</b>	<b>4,868</b>	<b>(2,809)</b>	<b>(8,497)</b>	<b>15,629</b>
<b>Deferred tax liabilities</b>									
Amortisation of goodwill for tax purposes	(22,077)	(5,619)			(27,696)	(5,620)			(33,316)
Amortisation of trademarks for tax purposes	(274)	(275)			(549)		549		0
Deferral of tax credit for foreign investment	(4,500)		2,250		(2,250)		2,250		0
Deferral of gains relating to the tax group	(398)				(398)				(398)
Fair value of financial assets	0				0	(15,472)			(15,472)
	<b>(27,249)</b>	<b>(5,894)</b>	<b>2,250</b>	<b>0</b>	<b>(30,893)</b>	<b>(21,092)</b>	<b>2,799</b>	<b>0</b>	<b>(49,186)</b>



## 16. Guarantee commitments

At 31 December 2010 and 2009, the following bank guarantees had been provided:

	2010	2009
<b>Guarantees from banks</b>		
To courts and agencies for economic-administrative claims and tax deferral	38,483	66,241
To third parties to secure the fulfilment of ordinary trading obligations	770	770
<b>Guarantees provided by Ebro Foods, S.A.</b>		
Guarantees provided to banks for other companies	0	51,432

In 2009 guarantees (counterguarantees) amounting to EUR 64,427 thousand were provided to courts and agencies in relation to claims, of which EUR 36,668 thousand remained outstanding at 31 December 2010, in order to cover the guarantees provided by Azucarera Ebro, S.L. in the litigation in which it is involved. Based on the contractual agreements entered into, Ebro Foods, S.A. has guaranteed to the buyer of Azucarera Ebro, S.L. that it will cover any liability that might arise from the resolution of this litigation (see Note 14).

In relation to the guarantees existing at 31 December 2009 of guarantees provided by Ebro Foods, S.A. for the syndicated loan arranged by Biocarburantes de Castilla y León, S.A. in 2004 with various banks, as expected, Ebro Foods, S.A. ceased to act as guarantor from 1 June 2010 onwards, thereby cancelling these guarantees without being liable for them.

## 17. Accounts with group companies and associates

Note 8 includes a list of subsidiaries and associates of Ebro Foods, S.A. In 2010 and 2009 transactions with associates did not represent a material amount except as indicated in Note 16 in relation to the loans and guarantees granted by Ebro Foods, S.A. to Biocarburantes de Castilla y León, S.A.

In 2010 and 2009 the main transactions performed by the Company with Group companies and associates were as follows:

	2010		2009	
	Group companies	Associates	Group companies	Associates
Outside services	(3,843)		(1,750)	0
Staff costs			0	0
Finance costs	(1,321)		(3,204)	(19)
<b>Total purchases and costs</b>	<b>(5,164)</b>	<b>0</b>	<b>(4,954)</b>	<b>(19)</b>
Other operating income	6,932		6,617	
Finance income	318		1,649	105
Income from dividends received	11,962		73,174	0
<b>Total sales and income</b>	<b>19,212</b>	<b>0</b>	<b>81,440</b>	<b>105</b>

The balances of Ebro Foods, S.A. with Group companies and associates at 31 December 2010 and 2009 were as follows:

**AT 31 DECEMBER 2010**

Balances with group companies and associates	Long-term loans	Receivable from companies	Balances payable		Payable to suppliers
			Non-current	Current	
Panzani SAS		901			(447)
Beira Terrace Soc. de Construções, Ltda.	6,897				
Azucarera Energías, S.A.	450	2			
Herba Foods, S.L.		146			(3)
Dosbio 2010, S.L.					(201)
Herba Ricemills, S.L.		3,110		(10,045)	
Herba Nutrición, S. L.		5			
Mundi Riz					
Euryza, Gmbh		173			
Fincas e inversiones Ebro, S.A.		39			
Arotz Foods, S.A.		240	(27,038)	(83)	(1)
Biosearch, S.A. (formerly Puleva Biotech)		14			
Networks Meal Solutions, S.A.		1			(2)
Arrozeiras Mundiarroz		3			
Grupo Riviana		641	(21,282)		
New World Pasta Company, Inc (Group)		900	(109,265)		
Birkel Teigwaren, Gmbh (Group)		57			
Jiloca, S.A.		156			
Fundación Ebro Foods				(300)	
Boost Distribution CV		9			
	<b>7,347</b>	<b>6,397</b>	<b>(157,585)</b>	<b>(10,428)</b>	<b>(654)</b>

**AT 31 DECEMBER 2009**

Balances with group companies and associates	Long-term loans	Receivable from companies	Balances payable		Payable to suppliers
			Non-current	Current	
Panzani SAS		833			(903)
Beira Terrace Soc. de Construções, Ltda.	8,717				
Azucarera Energías, S.A.	2,820				
Herba Foods, S.L.		187			(2)
Dosbio 2010, S.L.	2,748	46			
Herba Ricemills, S.L.		405			(7)
Herba Nutrición, S. L.		52			(5)
Mundi Riz					
Euryza, Gmbh					
Fincas e inversiones Ebro, S.A.		1,447		(1,745)	
Arotz Foods, S.A.		262	(27,018)		
Puleva Biotech, S.A.		44			
Puleva Foods, S.L. (Group)		3,898	(20,640)	(266)	(10)
Lactimilk, S.L. (Group)		33			(1)
Grupo Riviana (Central America)		132	(18,501)		
New World Pasta Company, Inc (Group)		172			
Birkel Teigwaren, Gmbh (Group)	18,260	15			
Nueva Comercial Azúcarera, S.L.					
Biocarburantes de Castilla y León, S.A.					
Fallera Nutrición, S.L.					
Jiloca, S.A.		139			
Lince, Ltd.					
Boost Distribution CV		10			
	<b>32,545</b>	<b>7,675</b>	<b>(66,159)</b>	<b>(2,011)</b>	<b>(928)</b>

All of the balances are denominated in euros except for the amounts payable to New World Pasta, Inc and to the Riviana Group, 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 at short term. The amount payable to New World Pasta, Inc. has a nominal amount of USD 146 million, hedges the investments in assets in US dollars (see Note 9.2-c) and bears interest at 3-month LIBOR + 0.90 points.

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

## 18. Related party transactions

The sales to and purchases from related parties were performed on an arm's length basis. At year-end the balances relating to commercial operations 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 third parties.

During the years ended 31 December 2010 and 2009, 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 to them) 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.

The transactions, excluding dividends, of Ebro Foods, S.A. with these significant shareholders (unless they are directors, in which case they are reflected in Note 18.2), are summarised as follows:

- None in 2010 and 2009.

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

The transactions, excluding dividends, between Ebro Foods, S.A. and its directors and executives is as follows (in thousand of euro):

#### NAME OR COMPANY NAME OF THE DIRECTORS OR EXECUTIVES

	Ebro Foods Group company	Type of transaction	Amount (thousands of euros) 2010	Amount (thousands of euros) 2009
Caja De Ahorros De Salamanca Y Soria	Ebro Foods, S.A.	Financing agreements: loans borrower	Available: 51,203 Drawn down: 51,203	Available: 48,509 Drawn down: 48,509
Caja España De Inversiones, C.A.M.P.	Ebro Foods, S.A.	Financing agreements: loans borrower	Available: 28,390 Drawn down: 28,390	Available: 24,253 Drawn down: 24,253
Caja España De Inversiones, C.A.M.P.	Ebro Foods, S.A.	Financing agreements: loans borrower	Available: 6,000 Drawn down: 144	Available: 6,000 Drawn down: 144

- Caja de Ahorros de Salamanca y Soria stepped down from the Board of Directors on 22 September and, therefore, the amount reflected in the 2010 column relates only to related-party transactions performed from 1 January to 21 September 2010 (inclusive).
- Caja España de Inversiones stepped down from the Board of Directors on 1 June 2010 and, therefore, the amount reflected in the 2010 column relates only to related-party transactions performed from 1 January to 31 May (inclusive).

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

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

- ▮ Dividends 2010 (2009):
  - Dividends to significant shareholders: 28,400 (30,032)
  - Dividends to directors and executives: 21,419 (24,404)

### 18.4 Directors' remuneration

Ebro Foods, S.A.'s Board members earned total remuneration in 2010 amounting to EUR 5,835 thousand, the detail being as follows (in thousand of euro):

<b>DIRECTORS' REMUNERATION AND OTHER BENEFITS</b>	<b>2010</b>	<b>2009</b>
<b>Remuneration</b>		
Attendance fees	347	278
Bylaw-stipulated profit sharing	2,565	2,332
<b>Total non-executive directors</b>	<b>2,912</b>	<b>2,610</b>
Wages, salaries and professional fees	2,923	5,446
Termination benefits and other		
<b>Total executive directors</b>	<b>2,923</b>	<b>5,446</b>
<b>Total remuneration</b>	<b>5,835</b>	<b>8,056</b>
<b>Other benefits</b>		
Life insurance and retirement benefits	0	0

The Company'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.

The Board of Directors, at its meeting held on 9 February 2011 and at the proposal of the Recruitment and Remuneration Committee resolved, for 2010 and with respect to the Chairman and non-executive directors, to establish the bylaw-stipulated profit-sharing at EUR 2,565,454, and, accordingly, to propose to the shareholders at the Annual General Meeting the assignation of a percentage of 0.66% of the consolidated net profit attributable to the Company in 2010. The Board also resolved to maintain the attendance fees from the previous year at EUR 1,600 for attending Board meetings and EUR 800 for attending the various committee meetings.

The individualised breakdown of the remuneration in 2010 is as follows:

<b>DIRECTOR</b>				
	<b>Statutory Ownership interest</b>	<b>Attendance Fees</b>	<b>Remuneration for Executive Duties</b>	<b>Total</b>
A.Hernandez	352	26	1,320	1,698
J.Carbo	0	0	1,603	1,603
F.Hernandez	0	9	0	9
Hisparroz	123	11	0	134
Caja España	75	15	0	90
E.Ruiz Galvez	127	24	0	151
Caja Duero	154	21	0	175
J. Nieto	39	8	0	47
J. I. Comenge	145	27	0	172
L. Del Pino	242	26	0	268
F. Castello	170	31	0	201
Alicesa	174	24	0	198
J. Barreiro	289	27	0	316
B. Hernandez	170	31	0	201
J. D. Ortega	73	12	0	85
Damm	0	14	0	14
D. Carceller	271	15	0	286
A. Oetker	64	11	0	75
S. Daurella	97	15	0	112
<b>Total</b>	<b>2,565</b>	<b>347</b>	<b>2,923</b>	<b>5,835</b>

Of the total remuneration of the executive directors in 2010 amounting to EUR 2,923 thousand, EUR 437 thousand relate to the early settlement, in one case, of the Deferred Annual Remuneration System associated with the 2010-2012 Strategic Plan of the Ebro Foods Group. Also, a EUR 343 thousand provision was recognised in the 2010 separate financial statements as a provisional estimate of the Deferred Annual Remuneration System for that year. This figure will be paid in 2012.

The aforementioned Deferred Annual Remuneration System is not tied to the value of the Ebro Foods share 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.

#### **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 communicated to the Company, relating to 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.

- ▶ Antonio Hernández Callejas:
  - Direct ownership interest of 16.666% in Instituto Hispánico del Arroz, S.A. No position is held.
  - Indirect ownership interest of 3.620% in Casarone Agroindustrial, S.A. No position is held.
  - Direct ownership interest of 0.001% in SOS Corporación Alimentaria, S.A. 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.
  - Indirect ownership interest of 3.020% in Casarone Agroindustrial, S.A. No position is held.

It is hereby stated that Antonio Hernández Callejas and Blanca Hernández Rodríguez hold indirect ownership interests in Ebro Foods, S.A. through the 15.721% ownership interest that Instituto Hispánico del Arroz, S.A. has in this company, directly and through Hispafoods Invest, S.L.

- ▶ Demetrio Carceller Arce:
  - Direct ownership interest of 0.001% in SOS Corporación Alimentaria, S.A. He holds the position of director.
- ▶ Dr. Rudolf-August Oetker:
  - He holds a 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 two companies belonging to the Dr. August Oetker KG Group: Dr. Oetker GmbH and Hamburg Südamerikanische Dampfschiffahrts-Gesellschaft KG.

The positions held by the directors at other companies belonging to the Ebro Foods Group, in which they do not have any ownership interests are as follows:

NAME OF DIRECTOR	EBRO FOODS GROUP COMPANY	POSITION
Don Antonio Hernández Callejas	Panzani, S.A.S.	Director
Don Antonio Hernández Callejas	New World Pasta Company	Director
Don Antonio Hernández Callejas	Riviana Foods, Inc.	Director
Don Antonio Hernández Callejas	Biosearch, S.A.	Director
Don Antonio Hernández Callejas	Ebro America, Inc.	Chairman
Don Antonio Hernández Callejas	N&C Boost, N.V.	Director
Don Antonio Hernández Callejas	Boost Nutrition, C.V.	Director
Don Antonio Hernández Callejas	Danrice, A/S	Director
Don Antonio Hernández Callejas	Joseph Heap&Sons Limited	Director
Don Antonio Hernández Callejas	S&Herba Foods Limited	Director
Don Antonio Hernández Callejas	Anglo Australian Rice Limited	Director
Don Antonio Hernández Callejas	Vogan & Co Limited	Director
Don Antonio Hernández Callejas	AW Mellish Limited	Director acting severally
Don Antonio Hernández Callejas	Joseph Heap Property Limited	Director acting severally
Don Antonio Hernández Callejas	Heap Comet Limited	Director acting severally
Don Antonio Hernández Callejas	Herba Germany GMBH	Director acting severally
Don Antonio Hernández Callejas	Arrozeiras Muiarroz, S.A.	Presidente
Don Antonio Hernández Callejas	Bosto Panzani Benelux N.V.	Director

Except for the aforementioned cases, it is hereby stated that none of the directors have notified the Company 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 Group companies.

In 2010 and 2009 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 under non-arm's length conditions.

### 18.6 Remuneration of executives

In 2010 Ebro Foods, S.A. had ten executives (2009: 10), the total aggregate remuneration of which in 2010 was EUR 2,103 thousand (2009: EUR 2,741 thousand), of which EUR 2,103 thousand (2009: EUR 2,615 thousand) related to wages and salaries and EUR 0 (2009: EUR 126 thousand) to termination benefits.

In relation to the executives (excluding executive directors) of Ebro Foods, S.A. included in the Deferred Annual Remuneration System associated with the Group's 2010-2011 Strategic Plan described in Note 18.4, the total amount for which a provision was recognised in 2010 was EUR 106 thousand. This amount will be paid in 2012.

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 provided for in the Spanish Workers' Statute due to the length of service.

Lastly, the Parent took out and has in force a third-party liability insurance policy covering the directors and executives of Ebro Foods, S.A. with coverage for all its subsidiaries and an indemnity limit per annum of EUR 45 million, at an annual cost of EUR 62,000 and in force until 30 April 2011, The aforementioned policy is currently in the process of being renewed.

## 19. Other disclosures

### a) Foreign currency transactions

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

### b) Employees

#### 2010

	At the end of 2010		Total average
	Men	Women	
Executives	11	3	14
Middle management	16	8	24
Clerical staff	9	10	19
	<b>36</b>	<b>21</b>	<b>57</b>

#### 2009

	At the end of 2009		Total average
	Men	Women	
Executives	10	3	13
Middle management	10	8	18
Clerical staff	4	9	13
	<b>24</b>	<b>20</b>	<b>44</b>

### c) Fees paid to auditors

In 2010 (2009), 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 thousand of euro):

- ▶ The fees for audit services in 2010 amounted to EUR 215 thousand (2009: EUR 191 thousand) and for other attest services amounted to EUR 91 thousand (2009: EUR 5 thousand).
- ▶ The fees for tax advisory and/or other services amounted to EUR 105 thousand (2009: EUR 0).

### d) Information on the environment

The activities carried on by the various companies in the Ebro Foods Group require the investments needed to manage and control environmental risks. In this regard, investments leading to increased productivity of the plant and machinery are capitalised and depreciated on a straight-line basis over the related estimated useful life. As a holding company, Ebro Foods, S.A. does not have to make such investments and, therefore, the environmental investments are made and the environmental expenses are incurred by each Group company. The work performed in the last few years has been very extensive, especially for 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. Additional Provision Three. «Disclosure obligation» provided for in Law 15/2010, of 5 July.»

The balance payable to suppliers, which at 31 December 2010, was past due by more than the maximum payment period, was EUR 19 thousand.

## 20. Events after the reporting period

On 13 January 2011, the Board of Directors of Ebro Foods, S.A. resolved to sell to Grupo Lactalis Iberia, S.A. 17,252,157 shares representing 29.9% of the share capital of Biosearch, S.A. for a total price of EUR 8,281 thousand. Since the shares are sold at their underlying carrying amount (EUR 0.48 per share), this transaction will not give rise to any gains or losses in the 2011 financial statements of Ebro Foods, S.A. Following this sale, Ebro Foods, S.A. owns 12,117,806 shares that represent 21.002% of the share capital of Biosearch, S.A. but no longer participates in the managing bodies of the company (from 13 January 2011 it will no longer be a Group company investment and will become an investment in a financial asset).

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



Royal Decree 1514/2007 was published on 20 November 2007. This Royal Decree approved the new Spanish National Chart of Accounts that came into force on 1 January 2008, which must be applied for all periods beginning on or after that date. The information in this directors' report was obtained on the basis of the Company's accounting records and pursuant to the aforementioned legislation.

## 1. Operating review

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

In 2010 the Company sold its dairy product business, completing its strategy to concentrate its business activities on the rice and pasta business lines in which the Group holds a leadership position. The 2010-2012 Strategic Plan foresees a new phase of growth aimed at consolidating the Group's presence in those markets in which it operates and gaining a foothold in others, thus enabling it to enhance its value.

The Company has overcome the deep economic crisis, achieving unprecedented earnings in all the business lines. Ebro Foods is firmly committed to a strategy of differentiation and innovation, which has borne fruit in the high levels of consumer product recognition and confidence.

The directors' report in the consolidated financial statements includes information, broken down into the business segments composing the Ebro Foods Group, on the business performance and the activities performed in 2010.

## 2. 2010 Analysis of Ebro foods, S.A.

### Sale of the dairy product business

On, 30 March 2010, Ebro Foods, S.A., which wholly owned its dairy product business (shares of Puleva Food, S.L., shares of Lactimilk, S.A., and their trademarks) and Grupo Lactalis Iberia, S.A. (GLI), entered into an agreement for the sale and purchase of the companies composing the dairy product business. The definitive completion thereof had been subject to approval by the European competition authorities, which was granted in August 2010, and the sale was formally executed on 2 September 2010.

The terms and conditions of the transaction stipulated that GLI would purchase the dairy product business for an amount clear of debt of EUR 630 million, which, at the execution date, implied a total price of EUR 645 million, collected in full in 2010.

#### **Distribution of dividends**

The distribution of dividends approved by the shareholders at the Annual General Meeting held on 1 June 2010 was as follows:

- ▶ As a result of the Ebro Puleva Group's consolidated profit for 2009, it was resolved to distribute an ordinary dividend payable in cash out of unrestricted reserves of EUR 0.40 per share in four quarterly payments of EUR 0.10 each, on 5 April, 1 July, 1 October and 23 December 2010, for a total of EUR 61,546 thousand.
- ▶ Also, and on an independent basis, following the success of the sale of the dairy product business an extraordinary dividend was approved payable in cash out of unrestricted reserves of EUR 0.60 per shares (in addition to the ordinary dividend) in four quarterly payments of EUR 0.15 each. The first two payments were made in 2010, coinciding with the dates of the last two payments of the ordinary dividend (1 October and 23 December 2010) and the two remaining payments will be made in 2011 on 4 April and 4 July, for a total of EUR 92,319 thousand.

#### **Agreement with the SOS Group**

On 25 November 2010, the Board of Directors of Ebro Foods, S.A. reached an agreement with the Board of Directors of the SOS Group to acquire its rice division for an initial amount estimated at EUR 195 million. On 31 March 2011, a framework agreement will foreseeably be entered into including the terms and conditions for the transfer of the rice divisions in Spain, the Netherlands and the US. The price agreed by the parties for the transfer of the aforementioned businesses ultimately amounted to approximately EUR 197 million. This amount includes adjustments to the initial price estimated relating to the amounts of overhead costs to be ultimately transferred with these business and which are inherent thereto.

The definitive completion of the transaction was subject to the approval of SOS's creditor banks, which was granted in December 2010, and to approval by the competition authorities, which is currently being processed. It is estimated that formalisation and execution of this agreement with the SOS Group will be completed in the first half of 2011.

Also in relation to the offer made by Ebro Foods, S.A., on 25 November 2010, the SOS Group's rice trademarks relating to the Portuguese market were acquired for approximately EUR 8 million.

#### **Agreement with the Sunrise Group**

On 25 November 2010, the Board of Directors of Ebro Foods, S.A. approved the purchase of the Australian Group, Ricegrowers Limited-SunRice (Sunrise), having completed the due diligence for this Group and finalised the wording of the definitive terms and conditions of the agreement (Scheme Implementation

Agreement, SIA), which will be submitted for approval by Sunrice's shareholders in April. In accordance with the definitive terms and conditions of the transaction, Ebro Foods, S.A. will purchase all of the share capital of Sunrice for AUD 600 million (approximately EUR 440 million). As part of the agreements reached, Ebro will sign a Rice Acquisition Framework Agreement for the coming years, in which a number of general principles to be applied upon completion of the transaction are stipulated, whereby SunRice undertakes to purchase the rice harvests of the Australian farmers using certain price setting mechanisms, create a Farmers' Advisory Council and make a commitment towards the development of local communities and the promotion of R+D+i.

SunRice's acquisition is subject to the approval of 75% or more of the votes of the company's shareholders, and in conformity with Australian legislation, the approval of the Australian courts and of the Australian and Spanish competition authorities. In this respect, SunRice's shareholders will foreseeably approve the transaction in April 2011, subject to compliance with all the terms and conditions agreed upon in the SIA and the relevant approvals from the regulatory authorities.

### **Business performance**

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

Profit from operations amounted to EUR 166,562 thousand in 2010, as compared with EUR 75,038 thousand in 2009. The increase was due mainly to the gain on the disposal of the trademarks of the dairy product business owned by Ebro Foods, S.A.

The financial profit totalled EUR 302,333 thousand in 2010, as compared with a profit of EUR 88,940 thousand in 2009. The change was due to the sale of shares in Puleva S.L. and Lactimilk S.L. mentioned in the preceding paragraph of this report and to a decrease in borrowing costs as a result of lower interest rates and the improvement in the Company's financial position.

The profit after tax amounted to EUR 364,160 thousand in 2010, as compared with a profit of EUR 164,145 thousand in 2009.

### **3. Outlook for the company**

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

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

#### 4. Research and development activities

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

#### 5. Treasury share transactions

In 2010 the Parent was granted authorisation to purchase and sell treasury shares by the shareholders at the Annual General Meetings held on 1 June 2010 and 28 April 2009, having duly notified the Spanish National Securities Market Commission (CNMV) pursuant to current legislation. During this period 666,469 treasury shares were purchased and sold. At 2010 year-end the Company held no treasury shares.

#### 6. Employees

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

#### 7. Risk management objectives and policies relating to the business activities

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

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

#### 8. Financial risk management and financial instruments

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

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

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

The Board of Directors reviews and establishes policies for managing each of these risks, as summarised below.

#### **Credit risk**

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

#### **Cash flow interest rate risk**

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

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

#### **Foreign currency risk**

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

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

#### **Liquidity risk**

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

## **9. Environment**

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

## **10. Events after the reporting period**

On 13 January 2011, the Board of Directors of Ebro Foods, S.A. approved the sale to Grupo Lactalis Iberia, S.A. of 17,252,157 shares representing 29.9% of the share capital of Biosearch, S.A. for a total price of EUR 8,281 thousand. Given that the shares are to be sold at their carrying amount (EUR 0.48 per share) this transaction will not give rise to any gains or losses in the 2011

financial statements of Ebro Foods, S.A. Following the sale, Ebro Foods, S.A. will hold 12,117,806 shares representing 21.002% of the share capital of Biosearch, S.A. but will no longer participate in its governing and managing bodies.

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

## 11. Other disclosures

The Directors' Report contains the explanations in relation to the matters required under of Article 116 bis of the Securities Market Law, currently replaced by the recent approval and entry in force of the Sustainable Economy Law:

### a) Capital structure, including securities not traded on a regulated EU market, indicating, where appropriate, the various classes of shares and, for each class of shares, the rights and obligations they carry and the percentage of share capital they represent.

*The share capital amounts to EUR 92,319,235.20, divided into 153,865,392 fully subscribed and paid shares of EUR 0.60 par value each, represented by book entries of the same series and class.*

The shares representing the share capital have the status of marketable securities and are governed by the provisions of the Securities Market Law.

### b) Restrictions on the transferability of shares.

There are no restrictions on the transferability of the shares.

### c) Significant direct or indirect ownership interests in the share capital, including those of directors.

#### Significant shareholder

	Number of direct voting rights	Number of indirect voting rights	Percentage of total voting power
Instituto Hispánico del Arroz, S.A.	13,588,347	Indirect holder, through Hispafoods Invest, S.L., of 10,600,210 voting rights, representing 6.889% of share capital.	15,721
Sociedad Anónima Damm	0	Indirect holder, through Corporación Económica Damm, S.A., of 14,350,000 voting rights, representing 9.326% of share capital.	9,326
Sociedad Estatal de Participaciones Industriales	0	Indirect holder, through Alimentos y Aceites, S.A., of 13,315,016 voting rights, representing 8.654% of share capital.	8,654
Lolland, S.A.	0	Indirect holder, through Casa Grande Cartagena, S.L., of 7,693,290 voting rights, representing 5.000% of share capital.	5,000
Corporación Financiera Alba, S.A.	0	Indirect holder, through Alba Participaciones, S.A., of 8,777,719 voting rights, representing 5.70% of share capital.	5,70

### d) Restrictions on voting power.

There are no restrictions on voting power.

**e) Side agreements.**

The Company has not been notified of any side agreements.

**f) Rules applicable to the appointment and replacement of members of the managing body and to the amendment of the Company's bylaws.**

The appointment and the replacement of directors are governed by the bylaws (Articles 19 and 20) and by the Board Regulations (Articles 21, 23 and 24).

The Board of Directors shall be composed of a minimum of 7 and a maximum of 14 members, the General Meeting being responsible for determining the number and for appointing and removing directors. At the date of issue of this report, the Board currently has 13 members, a vacancy having arising as a result of Jaime Carbó Fernández having vacated his position on the Board on 22 December 2010.

Directors shall be appointed for a term of four years and the post may be rejected, appointments may be revoked and directors may be re-elected. Once this term has elapsed, directors may be re-elected one or more times for terms of equal length.

The appointment of directors shall lapse when, on expiry of the term, the next General Meeting has been held or the period established by law for holding the General Meeting which has to resolve whether to approve the financial statements for the previous year has ended.

Should vacancies arise during the term for which the directors are appointed, the Board may designate from among the shareholders persons to occupy the vacancies until the next General Meeting is held.

The nominations for the appointment and re-election of directors submitted by the Board of Directors shall relate to persons of acknowledged prestige who have the experience and professional knowledge required to discharge their duties.

Nominations shall be made taking into account the existence of three types of director: (i) executive directors; (ii) non-executive directors, which may be of two types: those that belong to the Board at the request of shareholders with significant ownership interests in the Company's share capital, and those which may be deemed to be independent directors pursuant to applicable legislation or good corporate governance recommendations; and (iii) directors who do not belong to either of these categories.

The distribution of directors according to the categories defined above shall be adjusted from time to time in accordance with the functional requirements and actual shareholder structure of the Company on the basis of the relationship between the share capital controlled by significant shareholders and the percentage held by institutional investors and non-controlling shareholders.

In any case, any steps taken by the directors in relation to the composition of the Board shall be without prejudice to the sovereign powers of the General Meeting to appoint and remove directors and, as the case may be, to the shareholders' right of proportional representation.

Directors shall tender their resignation to the Board and formally resign in the following cases:

- ▶ When they are subject to any incompatibility or prohibition provided for by law, in the Company's bylaws or in the Board's Regulations.
- ▶ When they cease to discharge the executive functions associated with their appointment as directors, when the shareholder they represent sells its entire ownership interest or when that shareholder reduces its ownership interest to a level that requires a reduction of the number of its proprietary directors and, in general, when the reasons for which they were appointed cease to exist.
- ▶ When the Board, following a report from the Nomination and Remuneration Committee, considers that they have seriously breached their obligations or that there are reasons in Company's interest that justify such resignation.

The Board shall submit the removal of the director to the General Meeting in the event that the director does not resign in any of the above situations.

Directors who stand down from the Board prior to the end of their mandate, due to resignation or any other cause, must explain their reasons for vacating their office to the Board and, without prejudice to the fact that the removal is communicated as a significant event, the Company shall give the reasons for the removal in the Annual Corporate Governance Report.

If a director chooses to resign after expressing serious reservations on matters on which the Board had adopted resolutions, the director shall explain the reasons for the resignation as described above.

No procedures or requirements for the amendment of the bylaws other than those provided for by law are established.

**g) Powers of the members of the Board of Directors and, in particular, those relating to the possibility of issuing or repurchasing shares.**

The chairman of the Board of Directors, with executive duties, Antonio Hernández Callejas, holds the following powers:

1. To represent the Company and use the corporate signature in all manner of acts, businesses and agreements included in the company object. To enter into contracts for project work or for the supply of goods or services with the European Union, the State, the Autonomous Communities, provinces, islands or municipalities and, in general, with any public or private person, by means of merits-based or price-based tenders, direct award or any other legal method of contracting, presenting and signing the appropriate proposals, accepting awards, as the case may be, performing any such acts and executing any such public or private documents as may be required or deemed appropriate for their formalisation, performance and liquidation. He may exercise these powers severally when the amount of the act, business or contract does not exceed or is equal to EUR 50,000, and jointly with another class A) attorney-in-fact when the amount exceeds EUR 50,000.



2. To plan, organise, manage and control the operation of the Company and all its activities at all the workplaces and facilities, reporting to the Chairman of the Board and proposing any modifications to the Company organisation deemed to be appropriate.

These powers may be exercised severally.

3. To sell, buy, exchange, replace, assign, encumber and dispose in any manner of all types of assets, including buildings and shares, and to provide guarantees to subsidiaries and third parties. To participate in the incorporation of all manner of companies or entities, and at that time accept or refuse positions thereat.

These powers may be exercised jointly with another class A) attorney-in-fact.

4. To set the terms of, create, accept, modify, withdraw or cancel provisional or definitive payments, deposits and guarantees at any kind of public or private entity including the Government Depositary and the Bank of Spain.

These powers may be exercised severally.

5. **a)** To open, use, clear and cancel demand deposits, savings accounts or credit facilities at any bank, including the Bank of Spain or any other credit institutions or savings banks, signing for this purpose any such documents as may be required, and to use and withdraw amounts by cheque, money order, receipt or transfer.

- b)** To arrange, formalise and execute loan transactions, signing for this purpose any such public or private documents as may be required, reporting to the Board the use made of these powers in the following meeting.

These powers may be exercised jointly with another class A) attorney-in-fact.

6. To issue, accept, collect, pay, endorse, protest, discount, guarantee and negotiate commercial or financial bills of exchange, promissory notes and other drafts and commercial instruments. To endorse and discount receipts and negotiable instruments of any kind and to order payment from the Public Treasury, banks, depositaries and other entities where the Company may hold securities, bills, cash or any other type of asset.

These powers may be exercised jointly with another class A) attorney-in-fact.

7. To claim, collect and receive amounts to be paid or received by the Company in any respect, whether in cash, in bills or in the shape of any other type of benefit, from individuals, banks and other entities, from the European Union, the State, the Autonomous Communities, provinces, islands or municipalities and, in general, from any public or private entity. To give and request receipts and payment documents and to set and finally settle balances. To determine the method for payment of amounts owed to the Company, to grant extensions and to set payment dates and amounts.

To accept from debtors all manner of secured and unsecured guarantees, including mortgages, fixed and floating charges, pledges and security interests subject to the covenants, clauses and conditions deemed appropriate and to cancel such guarantees after receipt of the guaranteed amounts or receivables.

These powers may be exercised severally.

8. To make all manner of payments, taking any such steps as may be required for due compliance with all the Company's obligations and to demand the relevant receipts and payment documents.  
These powers may be exercised severally when the amount of each act does not exceed or is equal to EUR 50,000, and jointly with another class A) attorney-in-fact when the amount exceeds EUR 50,000.

9. To represent the Company in dealings with third parties and with all manner of administrative bodies, chambers, commissions, committees, mutual entities, registers, delegations, offices and units of the European Union, the State, the Autonomous Communities, provinces, islands or municipalities and with other centres or bodies of an administrative, government or other nature, at all levels and instances, in Spain and abroad, or to appoint a person to act as the Company's representative in such dealings. To exercise the rights and to act, as the case may be, in the interest of the Company. To file requests and motions. To institute any applicable proceedings, requesting any relevant data, copies or documents and filing claims, including preliminary claims, and any administrative appeals. To withdraw from proceedings, claims and appeals at any stage thereof, to enforce or ensure the enforcement of final judgments. To respond to or issue certificates or demands, whether notarial or of any other nature. To request certificates, evidence and duly authenticated copies of interest to the Company.

These powers may be exercised severally.

10. To appear and represent the Company in court, before tribunals, higher judicial authorities, the Public Prosecutor, juries and other judicial review or employment-related centres or bodies in all jurisdictions and at all instances and levels, in Spain, abroad or relating to any international organisation, establishing the legal relations deemed appropriate and complying in particular, by signing the application for judicial review, with the provisions of Article 45.2.d) of Law 29/1998, of 13 July.

To grant and revoke powers of attorney for lawyers and court procedural representatives.

To bring all manner of claims or actions; to file all types of exceptions in any proceedings or appeals, either as the claimant or as the defendant or with any other standing. To file all manner of claims and ordinary and extraordinary appeals at court, including extraordinary appeals on a point of law and appeals for judicial review of final decisions. To discontinue any actions, claims, lawsuits and court appeals at any stage of the proceedings. To give evidence in court as the legal representative of the Company and, where required, to personally and expressly vouch for the truth of such evidence. To settle in court and submit to arbitration any matters of interest to the Company. To enforce or ensure the enforcement of final court judgments.

To represent and appear on behalf of the Company in all manner of administrations, bankruptcy proceedings, debt compositions and rescheduling, insolvency proceedings or court-ordered liquidations, evidencing the Company's claims and endeavouring to ensure that they are secured and accepting awards in payment thereof, with the power to grant or refuse reductions and extensions. To appoint, accept and reject liquidators, administrators, experts and official receivers and to put forward and challenge proposals made in the related acts. To settle and to agree deadlines and debt compositions and rescheduling in the framework of insolvency proceedings and carry out all the formalities until compliance with and enforcement of the final decisions.

To select the place of residence and submit to constructive or express jurisdictions.

These powers may be exercised severally.

11. To execute, with respect to executives, the resolutions adopted by the Board of Directors or the Executive Committee after hearing the Nomination and Remuneration Committee. With respect to Company employees, to hire, transfer, penalise, suspend or dismiss employees; to determine the remuneration, salaries and other emoluments to be received by any Company employee; to grant termination benefits; and, in general, to decide on any matters relating to the employees of the Company. To appoint and revoke the appointment of mandataries or agents.

These powers may be exercised severally.

12. To enforce and ensure compliance with the resolutions of the General Meeting, the Board of Directors, as well as the Executive Committee and, if required, the Chief Executive Officer and to execute, where applicable, the public deeds and other public or private documents required in accordance with the legal nature of the acts performed.

These powers may be exercised severally.

13. To replace and/or grant partial or full powers to third parties, to the extent of the powers granted under this power of attorney, and to partially or fully revoke such powers, including those granted prior to this power of attorney, executing for such purpose the corresponding public or private documents giving substance to the aforementioned replacement, informing the managing body at the first meeting following the exercise of this power.

These powers may be exercised jointly with two other class A) attorneys-in-fact.

14. To attend and represent the Company at the General Meetings of all the Ebro Group companies and in the adoption of any resolutions deemed necessary, without any restrictions whatsoever.

These powers may be exercised severally.

Lastly, it should be noted that neither Antonio Hernández Callejas nor any other director or executive is empowered to issue or repurchase shares.

**h) Significant agreements entered into by the Company and which come into force or are modified or terminated in the event of a change of control of the Company as a result of a takeover bid, and their effects, except when disclosure would be seriously detrimental to the Company. This exception shall not apply where the Company is obliged by law to disclose this information.**

No agreements of this nature have been entered into.

**i) Agreements between the Company and its directors, executives or employees which provide for termination benefits upon resignation or dismissal without justification or upon termination of the employment relationship as a result of a takeover bid.**

No agreements of this nature have been entered into between the Company and its directors.

As regards the executives of Ebro Foods, S.A., it is hereby stated (i) that there are two contractual termination clauses that provided for amounts that would exceed the termination benefits that would result from the application of the Workers' Statute and (ii) the clauses established initially for the other executives currently provide for termination benefits below the amount stipulated in the Workers' Statute as a result of their length of service.



# Annual Corporate Governance Report>>>>

FINANCIAL REPORT 2010

## **ANNUAL CORPORATE GOVERNANCE REPORT**

**LISTED COMPANIES**

**DETAILS OF ISSUER**

**YEAR ENDED: 31/12/2010**

**TAX REGISTRATION NUMBER: A47412333**

**Name: EBRO FOODS, S.A.**

## ANNUAL CORPORATE GOVERNANCE REPORT LISTED COMPANIES

Read the instructions at the end of this report to correctly understand and complete the form.

### A. OWNERSHIP STRUCTURE

A.1. Complete the following table on the capital of the company:

Date latest modification	Capital ( € )	Number of shares	Number of voting rights
11/06/2002	92,319,235.20	153,865,392	153,865,392

Indicate whether there are different classes of shares with different associated rights:

NO

A.2. Give details on the direct and indirect holders of significant interests in your company at year-end, excluding directors:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	Interest / total voting rights (%)
CORPORACIÓN ECONÓMICA DAMM, S.A.	14,350,000	0	9.326
SOCIEDAD ANÓNIMA DAMM	0	14,350,000	9.326
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES	0	13,315,016	8,654
HISPAFOODS INVEST S.L.	10,600,210	0	6,889
ALBA PARTICIPACIONES, S.A.	8,777,719	0	5,705
CORPORACIÓN FINANCIERA ALBA, S.A.	0	8,777,719	5,705

Name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	Interest / total voting rights (%)
CASA GRANDE DE CARTAGENA, S.L.	7,693,290	0	5.000
LOLLAND, S.A.	0	7,693,290	5.000

Name of indirect holder of the interest	Through: Name of direct holder of the interest	Number of direct voting rights	Interest / total voting rights (%)
SOCIEDAD ANÓNIMA DAMM	CORPORACIÓN ECONÓMICA DAMM, S.A.	14,350,000	9.326
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES	ALIMENTOS Y ACEITES, S.A.	13,315,016	8.654
CORPORACIÓN FINANCIERA ALBA, S.A.	ALBA PARTICIPACIONES, S.A.	8,777,719	5.705
LOLLAND, S.A.	CASA GRANDE DE CARTAGENA, S.L.	7,693,290	5.000

Indicate the principal movements in the shareholding structure during the year:

Name of shareholder	Date of transaction	Description of the transaction
CORPORACIÓN FINANCIERA ALBA, S.A.	09/09/2010	Raised interest to over 5% of the capital
CAJA ESPAÑA DE INVERSIONES, CAJA DE AHORROS Y MONTE DE PIEDAD	01/06/2010	Interest lowered to below 3% of the capital
CAJA DE AHORROS DE SALAMANCA Y SORIA	09/09/2010	Interest lowered to below 3% of the capital

A.3. Complete the following tables on directors' voting rights corresponding to shares in the company:

Name of director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights held
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Name of director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights held
ANTONIO HERNÁNDEZ CALLEJAS	30	0	0.000
JOSE BARREIRO SEOANE	3,083	0	0.002
ALIMENTOS Y ACEITES, S.A.	13,315,016	0	8.654
EUGENIO RUIZ-GÁLVEZ PRIEGO	153	0	0.000
FERNANDO CASTELLÓ CLEMENTE	2,284,750	0	1.485
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	13,588,347	10,600,210	15.721
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	113,000	1,427,007	1.001
JOSÉ NIETO DE LA CIERVA	8,880	0	0.006
LEOPOLDO DEL PINO Y CALVO-SOTELO	0	254,000	0.165
MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	10	0	0.000
SOL DAURELLA COMADRÁN	0	1,307,367	0.850

Name of indirect holder of the interest	Through: Name of direct holder of the interest	Number of direct voting rights	% of total voting rights
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HISPAFOODS INVEST, S.L.	10,600,210	6.889
SOL DAURELLA COMADRÁN	BEGINDAU, S.L.	1,227,617	0.798
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	LA FUENTE SALADA, S.L.	1,127,007	0.732
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	MENDIBEA 2002, S.L.	300,000	0.195
LEOPOLDO DEL PINO Y CALVO-SOTELO	SWIFT INVERSIONES SICAV, S.A.	254,000	0.165
SOL DAURELLA COMADRÁN	SURFUP SICAV, S.A.	79,350	0.052

<b>Total % of voting rights held by board members</b>	<b>27.883</b>
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Complete the following tables on directors with stock options in the company:

A.4. Indicate family, commercial, contractual or corporate relationships among significant shareholders known to the company, if any, except any that are insignificant and those deriving from ordinary commercial business:

**Type of relationship:**

Corporate

**Brief description:**

LOLLAND, S.A. HOLDS AN INDIRECT INTEREST OF 100% IN CASA GRANDE DE CARTAGENA, S.L.

Name of related parties
LOLLAND, S.A.

**Type of relationship:**

Corporate

**Brief description:**

INSTITUTO HISPÁNICO DEL ARROZ, S.A. HOLDS 100% OF HISPAFOODS INVEST, S.L.: DIRECT INTEREST OF 51.62% AND INDIRECT INTEREST OF 48.38%

Name of related parties
INSTITUTO HISPÁNICO DEL ARROZ, S.A.

**Type of relationship:**

Corporate

**Brief description:**

SOCIEDAD ANÓNIMA DAMM HOLDS A DIRECT INTEREST OF 99.93% IN CORPORACIÓN ECONÓMICA DAMM, S.A.

Name of related parties
CORPORACIÓN ECONÓMICA DAMM, S.A.

**Type of relationship:**

Corporate

**Brief description:**

CORPORACIÓN FINANCIERA ALBA, S.A. HOLDS A DIRECT INTEREST OF 100% IN ALBA PARTICIPACIONES, S.A.

Name of related parties
CORPORACIÓN FINANCIERA ALBA, S.A.

**Type of relationship:**

Corporate

**Brief description:**

SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES HOLDS A DIRECT INTEREST OF 91.963% IN ALIMENTOS Y ACEITES, S.A.

Name of related parties
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES

A.5. Indicate commercial, contractual or corporate relationships between significant shareholders and the company and/or its group, if any, except any that are insignificant and those deriving from ordinary commercial business:

A.6. State whether the company has been notified of any shareholders' agreements that may affect it pursuant to the Securities Market Act s. 112. If any, describe them briefly and list the shareholders bound by the agreement:

NO

Indicate and describe any concerted actions among company shareholders of which the company is aware:

NO

Expressly indicate any change or break-up of those agreements or concerted actions, if any, that has taken place during the year.

A.7. Indicate any individuals or entities that exercise or may exercise control over the company in pursuance of section 4 of the Securities Market Act:

NO

A.8. Complete the following tables on the company's treasury stock:

At year-end:

Number of direct shares	Number of indirect shares (*)	Treasury stock/capital (%)
0	0	0.000

(\*) Through:

<b>Total</b>	0
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Give details on any significant variations during the year, according to the provisions of Royal Decree 1362/2007:

Date of communication	Total direct shares acquired	Total indirect shares acquired	% of capital
13/09/2010	299,403	0	0.193

<b>Gain/(loss) obtained during the year on trading in own shares</b>	-2,202
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A.9. Indicate the term and conditions of the authorisation granted by the General Meeting to the Board to buy or sell own shares

The Annual General Meeting of Shareholders held on second call on 1 June 2010 resolved, under item six on the agenda, to authorise the Board of Directors to buy back own shares and to authorise subsidiaries to acquire shares in the parent company, by purchase or on any other payment basis, subject to the limits and other requisites stipulated in law.

a. Conditions of the authorisation

Authorisation to the Board of Directors to buy back own shares and to authorisation of subsidiaries to acquire shares in the parent company, by purchase or on any other payment basis, on one or several occasions, subject to the limits and other requisites stipulated in section 75 and other applicable provisions of the current (recast) Corporations Act:

- The par value of the shares acquired directly or indirectly, when added to the par value of any shares already held by the company and its subsidiaries, may not at any time exceed 10% of the capital.

- The acquisition, including any shares that the company or any person acting in his own name but on behalf of the company has acquired earlier and holds as treasury stock, does not reduce the equity to below the amount of capital plus legal or statutory undistributable reserves. For this purpose, equity shall be the amount calculated as such according to the criteria for drawing up the annual accounts, less any profits attributed directly thereto and plus any uncalled subscribed capital and the par value and share premiums of any subscribed capital that is accounted for as liabilities.

- The shares acquired must be fully paid up.
- The minimum and maximum price of the acquisition must be equivalent to the par value of the own shares bought back and their market price on an official secondary market, respectively, at the time of purchase.

b. Contents of the authorisation

- Authorisation of the Board to buy back own shares, by virtue of a direct decision or through delegation to the Executive Committee or such person or persons as the Board may authorise for this purpose, to hold those shares as treasury stock, dispose of them or, as the case may be, propose their redemption to the General Meeting, subject to the limits stipulated in law and the conditions established in this resolution. The authorisation is extended to the possibility of buying back own shares for delivery directly to employees or directors of the company or its group, on one or several occasions, or upon exercise of any stock options that they may hold.

This authorisation is granted for a period not exceeding five years from the date of the General Meeting and covers all trading in treasury stock made on the terms hereof, with no need to be repeated for each acquisition, and any funding or allocation of reserves made in pursuance of applicable laws.

- Authorisation of the Board to reduce the capital in order to redeem shares bought back by the company or acquired any of the companies in its group, against the capital (for their par value) and unappropriated reserves (for the amount of their acquisition in excess of that par value), in such amounts as may be deemed fit from time to time, up to the maximum of the own shares held from time to time.
- Delegation to the Board to execute the resolution to reduce the capital, so that it may do so on one or several occasions or decline to do so, within a period not exceeding 18 months from the date of this General Meeting, taking whatsoever actions may be necessary for this purpose or required by prevailing legislation.

c. Term of the authorisation

- The authorisation is granted for a maximum of eighteen months from the date of the General Meeting and covers all dealings in own shares effected on the terms and conditions stated herein, without having to be repeated for each acquisition, and any funding or allocation of reserves made in pursuance of the Corporations Act.

This authorisation rendered null and void the authorisation granted to the Board at the General Meeting held on 29 April 2009.

A.10. Indicate constraints stipulated in law or the company's articles on the exercise of voting rights and legal restrictions on the acquisition and disposal of shares in the capital. State whether there are any legal restrictions on the exercise of voting rights:

NO

<b>Maximum percentage of voting rights that one shareholder may exercise by legal restriction</b>	0
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State whether the articles of association establish any restrictions on the exercise of voting rights:

NO

<b>Maximum percentage of voting rights that one shareholder may exercise by restriction in the articles of association</b>	0
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State whether there are any legal restrictions on the acquisition or disposal of shares in the capital:

NO

A.11. Indicate whether the General Meeting has resolved to apply the breakthrough rule against a takeover bid, under Act 6/2007:

NO

If so, explain the measures approved and the terms on which the restrictions will become ineffective:

## **B. MANAGEMENT STRUCTURE OF THE COMPANY**

### **B.1. Board of Directors**

B.1.1. State the maximum and minimum numbers of directors stipulated in the articles of association:

<b>Maximum number of directors</b>	14
<b>Minimum number of directors</b>	7

B.1.2. Give details of the board members:

<b>Name of director</b>	<b>Representative</b>	<b>Position on Board</b>	<b>Date first appointment</b>	<b>Date latest appointment</b>	<b>Election procedure</b>
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Name of director	Representative	Position on Board	Date first appointment	Date latest appointment	Election procedure
ANTONIO HERNÁNDEZ CALLEJAS	—	CHAIRMAN	01/01/2001	01/06/2010	VOTE AT AGM
JOSÉ BARREIRO SEOANE	—	VICE-CHAIRMAN	31/05/2005	01/06/2010	VOTE AT AGM
ALIMENTOS Y ACEITES, S.A.	FRANCISCO BALLESTEROS PINTO	DIRECTOR	23/07/2004	01/06/2010	VOTE AT AGM
DEMETRIO CARCELLER ARCE	—	DIRECTOR	01/06/2010	01/06/2010	VOTE AT AGM
EUGENIO RUIZ-GÁLVEZ PRIEGO	—	DIRECTOR	25/07/2000	01/06/2010	VOTE AT AGM
FERNANDO CASTELLÓ CLEMENTE	—	DIRECTOR	13/12/2000	01/06/2010	VOTE AT AGM
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	FÉLIX HERNÁNDEZ CALLEJAS	DIRECTOR	01/06/2010	01/06/2010	VOTE AT AGM
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	—	DIRECTOR	13/12/2000	01/06/2010	VOTE AT AGM
JOSÉ NIETO DE LA CIERVA	--	DIRECTOR	29/09/2010	29/09/2010	COOPTATION
LEOPOLDO DEL PINO Y CALVO-SOTELO	—	DIRECTOR	18/04/2007	01/06/2010	VOTE AT AGM
MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	—	DIRECTOR	23/02/2006	01/06/2010	VOTE AT AGM
RUDOLF-AUGUST OETKER	—	DIRECTOR	01/06/2010	01/06/2010	VOTE AT AGM
SOL DAURELLA COMADRÁN	—	DIRECTOR	01/06/2010	01/06/2010	VOTE AT AGM

<b>Total number of directors</b>	13
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Indicate any retirements from the board during the year:

<b>Name of shareholder</b>	<b>Director status at date of retirement</b>	<b>Date of retirement</b>
FÉLIX HERNÁNDEZ CALLEJAS	PROPRIETARY	01/06/2010
CAJA ESPAÑA DE INVERSIONES, CAJA DE AHORROS Y MONTE DE PIEDAD	PROPRIETARY	01/06/2010
JUAN DOMINGO ORTEGA MARTÍNEZ	INDEPENDENT	01/06/2010
CAJA DE AHORROS DE SALAMANCA Y SORIA	PROPRIETARY	21/09/2010
JAIME CARBÓ FERNÁNDEZ	EXECUTIVE	22/12/2010

B.1.3. Complete the following tables on the types of board members:

#### EXECUTIVE DIRECTORS

<b>Name of Director</b>	<b>Committee proposing appointment</b>	<b>Position in company's organisation</b>
ANTONIO HERNÁNDEZ CALLEJAS	NOMINATION AND REMUNERATION COMMITTEE	CHAIRMAN

<b>Total number of executive directors</b>	1
<b>% of board</b>	7.692

#### NON-EXECUTIVE PROPRIETARY DIRECTORS

<b>Name of Director</b>	<b>Committee proposing appointment</b>	<b>Name of significant shareholder represented or that proposed appointment</b>
ALIMENTOS Y ACEITES, S.A.	NOMINATION AND REMUNERATION COMMITTEE	SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES



Name of Director	Committee proposing appointment	Name of significant shareholder represented or that proposed appointment
DEMETRIO CARCELLER ARCE	NOMINATION AND REMUNERATION COMMITTEE	SOCIEDAD ANÓNIMA DAMM
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	NOMINATION AND REMUNERATION COMMITTEE	INSTITUTO HISPÁNICO DEL ARROZ, S.A.
JOSÉ NIETO DE LA CIERVA	NOMINATION AND REMUNERATION COMMITTEE	CORPORACIÓN FINANCIERA ALBA, S.A.
LEOPOLDO DEL PINO Y CALVO-SOTELO	NOMINATION AND REMUNERATION COMMITTEE	LOLLAND, S.A.
MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	NOMINATION AND REMUNERATION COMMITTEE	INSTITUTO HISPÁNICO DEL ARROZ, S.A.
RUDOLF-AUGUST OETKER	NOMINATION AND REMUNERATION COMMITTEE	SOCIEDAD ANÓNIMA DAMM

<b>Total number of proprietary directors</b>	7
<b>% of board</b>	53.846

#### NON-EXECUTIVE INDEPENDENT DIRECTORS

##### Name of Director

JOSÉ BARREIRO SEOANE

##### Profile

Born in El Ferrol (La Coruña). Agricultural Engineer with B.A. in Commercial Management and Marketing (ESIC). Former Councillor for Agriculture in the Spain Mission to the World Trade Organisation and Secretary General of the Ministry of Agriculture, Food and Fisheries. Has held other important positions in different national and international organisations related with agriculture, food and fisheries.

##### Name of Director

FERNANDO CASTELLÓ CLEMENTE

##### Profile

Born in Mollerusa (Lleida). Industrial Engineer and MBA (IESE). Lecturer in the School of Engineers and Architects of Fribourg (Switzerland). Has held several important executive and management positions in companies operating in the dairy sector and has extensive experience in the sector. Currently Vice-Chairman of Merchpensión, S.A. and on the board of other consultancy and financial services companies.

##### Name of Director

JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL

##### Profile

Born in San Sebastián. Economist and graduate in International Banking. Extensive experience in the financial sector, director and executive positions in several financial

institutions and insurance companies, such as Banco Hispano Americano, Mutua Madrileña and Axa Winterthur, among others. Chairman of Rexam Ibérica and Arbitraje & Inversiones S.L.

**Name of Director**

SOL DAURELLA COMADRÁN

**Profile**

Born in Barcelona. BA in Business Studies and MBA (ESADE). Her professional career is closely linked with management of the family business of Coca Cola concessions on the Iberian peninsula and in Africa. Currently Vice-Chairman and CEO of Cobega, S.A. and Director of Casbega, S.A., Norbega, S.A., Refrige, S.A. and Banco de Sabadell.

<b>Total number of independent directors</b>	4
<b>% of board</b>	30.769

OTHER NON-EXECUTIVE DIRECTORS

<b>Name of Director</b>	<b>Committee proposing appointment</b>
EUGENIO RUIZ-GÁLVEZ PRIEGO	NOMINATION AND REMUNERATION COMMITTEE

<b>Total number of independent directors</b>	1
<b>% of board</b>	7.692

State why they cannot be considered proprietary or independent directors and their relationships, with the company or its executives or with the shareholders.

**Name of Director**

EUGENIO RUIZ-GÁLVEZ PRIEGO

**Company, executive or shareholder with which he is related**

AZUCARERA EBRO, S.L.U.

**Profile**

Up to 30 April 2009, Eugenio Ruiz-Gálvez Priego was an 'Executive Director' because up to that date he was CEO of Azucarera Ebro, S.L.U., a company then wholly-owned by Ebro Foods, S.A. On 30 April 2009, Ebro Foods (then Ebro Puleva) sold all its shares in Azucarera, so Mr Ruiz Gálvez ceased to be an Executive Director and was classified as an "Other Non-Executive Director", since he cannot be considered independent.

Indicate any variations during the year in the type of each director:

B.1.4. Explain, if appropriate, why proprietary directors have been appointed at the request of shareholders holding less than 5% of the capital.

State whether formal requests for presence on the board have been rejected from shareholders holding interests equal to or greater than others at whose request proprietary directors have been appointed. If appropriate, explain why such requests were not met.

NO

B.1.5. State whether any director has retired before the end of his/her term of office, whether said director explained the reasons for such decision to the Board and through what means, and if the explanations were sent in writing to the entire Board, explain below at least the reasons given by the director.

YES

**Name of Director**

CAJA DE AHORROS DE SALAMANCA Y SORIA

**Reason for retirement**

SALE OF ALL SHARES IN EBRO FOODS, S.A. HELD INDIRECTLY BY CAJA DUERO THROUGH GRUPO DE NEGOCIOS DUERO, S.A.U.

**Name of Director**

CAJA ESPAÑA DE INVERSIONES, CAJA DE AHORROS Y MONTE DE PIEDAD

**Reason for retirement**

PROGRESSIVE SALE OF SHARES IN EBRO FOODS, S.A. HELD BY CAJA ESPAÑA

**Name of Director**

FÉLIX HERNÁNDEZ CALLEJAS

**Reason for retirement**

PROFESSIONAL REASONS

**Name of Director**

JAIME CARBÓ FERNÁNDEZ

**Reason for retirement**

PROFESSIONAL REASONS

**Name of Director**

JUAN DOMINGO ORTEGA MARTÍNEZ

**Reason for retirement**

PROFESSIONAL REASONS

B.1.6. Indicate the powers delegated to the Managing Director(s), if any:

B.1.7. Name Board members, if any, who are also directors or executives of other companies in the same group as the listed company:

<b>Name of director</b>	<b>Name of Group company</b>	<b>Position</b>
ANTONIO HERNÁNDEZ CALLEJAS	A W MELLISH LIMITED	JOINT & SEVERAL DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	ANGLO AUSTRALIAN RICE LIMITED	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	ARROZEIRAS MUNDIARROZ. S.A.	CHAIRMAN
ANTONIO HERNÁNDEZ CALLEJAS	BIOSEARCH, S.A.	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	BOOST NUTRITION, C.V.	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	DANRICE, A/S	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	EBRO AMERICA, INC.	CHAIRMAN
ANTONIO HERNÁNDEZ CALLEJAS	HEAP COMET LIMITED	JOINT & SEVERAL DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	HERBA GERMANY GMBH	JOINT & SEVERAL DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	JOSEPH HEAP & SONS LIMITED	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	JOSEPH HEAP PROPERTY LIMITED	JOINT & SEVERAL DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	N&C BOOST, N.V.	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	NEW WORLD PASTA COMPANY	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	PANZANI, S.A.S.	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	RIVIANA FOODS, INC.	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	S&B HERBA FOODS LIMITED	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	VOGAN&CO LIMITED	DIRECTOR

B.1.8. Name the company directors, if any, who are on the Boards of non-group companies listed on Spanish stock exchanges, insofar as the company has been notified:

<b>Name of Director</b>	<b>Listed Company</b>	<b>Position</b>
DEMETRIO CARCELLER ARCE	COMPAÑÍA LOGÍSTICA DE HIDROCARBUROS CLH, S.A.	DIRECTOR

<b>Name of Director</b>	<b>Listed Company</b>	<b>Position</b>
DEMETRIO CARCELLER ARCE	GAS NATURAL SDG, S.A.	DIRECTOR
DEMETRIO CARCELLER ARCE	SACYR VALLEHERMOSO, S.A.	DIRECTOR
DEMETRIO CARCELLER ARCE	SOCIEDAD ANÓNIMA DAMM	CHAIRMAN
EUGENIO RUIZ-GÁLVEZ PRIEGO	PROSEGUR, COMPAÑÍA DE SEGURIDAD, S.A.	DIRECTOR
EUGENIO RUIZ-GÁLVEZ PRIEGO	CORPORACIÓN FINANCIERA ALBA, S.A.	DIRECTOR
LEOPOLDO DEL PINO Y CALVO-SOTELO	GRUPO FERROVIAL, S.A.	DIRECTOR
SOL DAURELLA COMADRÁN	BANCO DE SABADELL, S.A.	DIRECTOR
SOL DAURELLA COMADRÁN	BANCO GUIPUZCOANO, S.A.	DIRECTOR

B.1.9. Indicate and, where appropriate, explain whether the company has established rules on the number of directorships its directors may hold:

YES

<b>Explain the rules</b>
Article 25 of the Regulations of the Board (“General Duties of Directors”) provides in section 1 that Directors shall dedicate to the company such attention and time as may be necessary to guarantee the effective and adequate fulfilment of each and all of the duties corresponding to their position. Consequently, the maximum number of other directorships they may hold will be such as to ensure that they are able at all times to meet each and all of their obligations to the company.

B.1.10. In connection with recommendation number 8 of the Unified Code, indicate the company policies and general strategies that must be approved by the full Board:

<b>Investment and financing policy</b>	YES
<b>Definition of the structure of the group of companies</b>	YES
<b>Corporate governance policy</b>	YES
<b>Corporate social responsibility policy</b>	YES
<b>Strategic or business plan and the annual management objectives and budget</b>	YES
<b>Pay policy and performance rating of senior executives</b>	YES
<b>Risk management and control policy and regular monitoring of internal reporting and control systems</b>	YES
<b>Dividend policy, treasury stock policy and, in particular, the limits established</b>	YES

B.1.11. Complete the following tables on the aggregate directors' emoluments accrued during the year:

a) In the Company issuing this report:

Emoluments	Thousand euro
Fixed remuneration	1,245
Variable remuneration	1,678
Attendance fees	347
Emoluments stipulated in articles of association	2,565
Stock options and/or other financial instruments	0
Others	0
<b>Total</b>	<b>5,835</b>

Other Benefits	Thousand euro
Advances	0
Loans granted	0
Pension Funds and Schemes: Contributions	0
Pension Funds and Schemes: Obligations contracted	0
Life assurance premiums	0
Guarantees furnished by the company for directors	0

b) For company directors who are on other Boards and/or in the top management of group companies:

Emoluments	Thousand euro
Fixed remuneration	367

<b>Emoluments</b>	<b>Thousand euro</b>
Variable remuneration	151
Attendance fees	8
Emoluments stipulated in articles of association	0
Stock options and/or other financial instruments	0
Others	0

<b>Total</b>	<b>526</b>
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<b>Other Benefits</b>	<b>Thousand euro</b>
Advances	0
Loans granted	0
Pension Funds and Schemes: Contributions	0
Pension Funds and Schemes: Obligations contracted	0
Life assurance premiums	0
Guarantees furnished by the company for directors	0

c) Total emoluments by type of director:

<b>Types of Directors</b>	<b>Company</b>	<b>Group companies</b>
Executive	2,923	518
Non-executive proprietary	1,876	8
Non-executive independent	886	0
Other non-executive	150	0
<b>Total</b>	<b>5,835</b>	<b>526</b>

d) Directors' share in the profit of the parent company:

<b>Total directors' emoluments (thousand euro)</b>	6,361
<b>Total directors' emoluments / profit attributed to parent company (%)</b>	1.6

B.1.12. Name the members of top management who are not executive directors and indicate the aggregate remuneration accrued in their favour during the year:

<b>Name</b>	<b>Position</b>
NICOLÁS BAUTISTA VALERO DE BERNABÉ	DEPUTY TO THE CHAIRMAN
ANA MARÍA ANTEQUERA PARDO	MANAGER COMMUNICATIONS
LEONARDO ÁLVAREZ ARIAS	MANAGER I.T.
FRANCISCO JAVIER LOZANO VALLEJO	FINANCE MANAGER
ALFONSO FUERTES BARRÓ	MANAGER ECONOMY
GABRIEL SOLÍS PABLOS	TAX MANAGER
MIGUEL ANGEL PÉREZ ÁLVAREZ	SECRETARY
YOLANDA DE LA MORENA CEREZO	VICE-SECRETARY
GLORIA RODRÍGUEZ PATA	MANAGER CORPORATE ASSETS
JESÚS DE ZABALA BAZÁN	MANAGER AUDIT & COMPLIANCE

<b>Total remuneration top management (thousand euro)</b>	2,103
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B.1.13. Indicate globally whether any golden handshake clauses have been established for the top management, including Executive Directors, of the company or its group in the event of dismissal or change of ownership. State whether these contracts have to be notified to and/or approved by the governing bodies of the company/group companies:

<b>Number of beneficiaries</b>	2
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	<b>Board of Directors</b>	<b>General Meeting</b>
<b>Body authorising the clauses</b>	YES	NO



Is the General Meeting informed on the clauses?	YES
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B.1.14. Explain the process for establishing the remuneration of the Board members and the relevant articles of the articles of association

**Process for establishing directors' emoluments and the relevant articles of the articles of association**

The remuneration of Board members is regulated in Article 22 of the company's Articles of Association which, following amendment as agreed at the Annual General Meeting on 1 June 2010, establishes the following process:

When approving the company's accounts for the previous year, the general meeting shall set aside for the directors a share of 2.5% (two and a half per cent) of the consolidated profits attributable to the company, although this sum may only be taken from the company's net profit for the year and after meeting the legal reserve requirements, setting aside for the shareholders the minimum dividend established in prevailing legislation and meeting all and any other priority assignments required by law. The directors may waive this remuneration, in full or in part, when drawing up the accounts.

The board shall distribute the aforesaid sum among its members, annually and at its discretion, according to the duties assumed by each director on the board.

The directors shall also be entitled to a fee for attending meetings of the corporate bodies, the amount of which shall be established every year by the general meeting.

Directors with executive duties in the company shall, regardless of the nature of their legal relationship with the latter, be entitled to remuneration for the performance of such duties, the amount of which shall be decided each year at the Annual General Meeting. This remuneration may contemplate welfare payments to cover any public/private pension schemes and insurance systems considered necessary or retirement from office.

In addition and independently of the emoluments contemplated in the preceding paragraphs, directors may receive remuneration in the form of shares, stock options or any other system of remuneration indexed to the price of the shares of the company or any other companies in its group. The general meeting shall decide if and when any of these remuneration systems are to be used, pursuant to the form, terms and conditions stipulated in law.

If executive directors waive their share in the profits, as contemplated in the first paragraph of this article, the sums that would correspond to them as a share in the profits of the company will not be distributed among the remaining directors.

On 28 February 2011, as proposed by the Nomination and Remuneration Committee, the Board resolved to set the share corresponding to the Chairman and executive directors in the 2010 profits at 2,565,454 euro and, consequently, to put to shareholders at the Annual General Meeting a proposal to apply 0.66% of the consolidated net profit attributed to the company in 2010 to such remuneration.

As regards the distribution of the share in profits among the different members of the Board according to the duties assumed by each of the directors on the board and its different committees, the scale applicable for 2010, after the latest review by the Board upon recommendation by the Nomination and Remuneration Committee, is as follows:

**Process for establishing directors' emoluments and the relevant articles of the articles of association**

- Member of the Board of Directors: 1 point
- Chairman of the Board: 1 point
- Vice-Chairman of the Board: 0.5 points
- Member of the Executive Committee: 1 point
- Committees other than the Executive Committee:
  - Member of the Committee: 0.2 points
  - Chairman of the Committee: 0.05 points per meeting
  - Committee members: 0.03 points per meeting

Finally, attendance fees for board meetings were maintained at 1,600 euro and the attendance fees for the different committees at 800 euro.

State whether the full Board has reserved approval of the following decisions:

<b>At the proposal of the CEO, the appointment and possible removal of senior officers and their compensation clauses</b>	YES
<b>Directors' emoluments and, for executive directors, the additional remuneration for their executives duties and other conditions to be respected in their contracts</b>	YES

B.1.15. Indicate whether the Board approves a detailed remuneration policy and what issues it defines:

YES

<b>Amount of fixed components, with breakdown, if appropriate, of attendance fees for board and committee meetings and an estimate of the resulting annual fixed remuneration</b>	YES
<b>Variable remuneration items</b>	YES
<b>Main features of the welfare system, estimating the amount or equivalent annual cost</b>	YES
<b>Conditions to be respected in the contracts of those exercising top management duties as executive directors</b>	YES

B.1.16. State whether the Board puts a report on the directors' remuneration policy to the vote at the General Meeting, as a separate item on the agenda and with advisory status. If so, explain the aspects of the report on the remuneration policy approved by the Board for future years, the most significant changes of those policies in respect of the policy applied during this period and an overall summary of how the remuneration policy was applied during the year. Describe the role of the Remuneration Committee and, if outside counselling has been used, name the external advisers who provided it:

YES

<b>Issues contemplated in the remuneration policy</b>
<ul style="list-style-type: none"> <li>- Background</li> <li>- Internal regulations applicable</li> <li>- Remuneration policy for 2010</li> <li>- Remuneration policy for future years</li> <li>- Other information</li> </ul>

<b>Role of the Remuneration Committee</b>
Examined and issued a favourable report on the Report on the Directors' Remuneration Policy for 2010, to be submitted to the Board.

<b>Was any external counselling used?</b>	YES
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<b>Identity of the external advisers</b>
Garrigues Human Capital Services

B.1.17. Name any Board members who are also directors, executives or employees of companies holding significant interests in the listed company and/or companies in its group:

<b>Name of director</b>	<b>Name of significant shareholder</b>	<b>Position</b>
DEMETRIO CARCELLER ARCE	SOCIEDAD ANÓNIMA DAMM	CHAIRMAN
DEMETRIO CARCELLER ARCE	CORPORACIÓN ECONÓMICA DAMM, S.A.	CHAIRMAN
EUGENIO RUIZ-GÁLVEZ PRIEGO	CORPORACIÓN FINANCIERA ALBA, S.A.	DIRECTOR
LEOPOLDO DEL PINO Y CALVO-SOTELO	LOLLAND, S.A.	DIRECTOR
LEOPOLDO DEL PINO Y CALVO-SOTELO	CASA GRANDE DE CARTAGENA, S.L.	DIRECTOR

Describe any significant relationships other than those contemplated in the previous section between board members and significant shareholders and/or companies in their group:

**Name of director**

ANTONIO HERNÁNDEZ CALLEJAS

**Name of significant shareholder**

HISPAFOODS INVEST S.L.

**Description of relationship**

ANTONIO HERNÁNDEZ CALLEJAS HAS AN INDIRECT HOLDING OF 16.666% IN HISPAFOODS INVEST S.L.

**Name of director**

ANTONIO HERNÁNDEZ CALLEJAS

**Name of significant shareholder**

INSTITUTO HISPÁNICO DEL ARROZ, S.A.

**Description of relationship**

ANTONIO HERNÁNDEZ CALLEJAS HAS A DIRECT HOLDING OF 16.666% IN INSTITUTO HISPÁNICO DEL ARROZ, S.A.

**Name of director**

ALIMENTOS Y ACEITES, S.A.

**Name of significant shareholder**

SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES

**Description of relationship**

SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES HAS A DIRECT HOLDING OF 91.963% IN ALIMENTOS Y ACEITES, S.A.

**Name of director**

LEOPOLDO DEL PINO Y CALVO-SOTELO

**Name of significant shareholder**

CASA GRANDE DE CARTAGENA, S.L.

**Description of relationship**

LEOPOLDO DEL PINO Y CALVO-SOTELO HAS AN INDIRECT HOLDING OF 13.68% IN CASA GRANDE DE CARTAGENA, S.L.

**Name of director**

LEOPOLDO DEL PINO Y CALVO-SOTELO

**Name of significant shareholder**

LOLLAND, S.A.

**Description of relationship**

LEOPOLDO DEL PINO Y CALVO-SOTELO HAS AN INDIRECT HOLDING OF 13.68% IN LOLLAND, S.A.

**Name of director**

MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ

**Name of significant shareholder**

HISPAFOODS INVEST S.L.

**Description of relationship**

MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ HAS AN INDIRECT HOLDING OF 16.666% IN HISPAFOODS INVEST S.L.

**Name of director**

MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ

**Name of significant shareholder**

INSTITUTO HISPÁNICO DEL ARROZ, S.A.

**Description of relationship**

MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ HAS A DIRECT HOLDING OF 16.666% IN INSTITUTO HISPÁNICO DEL ARROZ, S.A.

B.1.18. State whether any modifications have been made during the year to the Regulations of the Board:

NO

B.1.19. Describe the procedures for appointment, re-election, assessment and removal of directors. Indicate the competent bodies, the formalities and the criteria to be followed in each of these procedures.

The procedures for appointment, re-election and removal of the directors are regulated in Articles 19 and 20 of the Articles of Association, and Articles 5, 21, 22, 23 and 24 of the Regulations of the Board.

The General Meeting is responsible for deciding on the number of directors the company is to have, within the minimum (7) and maximum (15) established in the Articles of Association, and for appointing or re-electing directors as proposed by the Board, subject to a favourable report by the Nomination and Remuneration Committee.

The Board may appoint directors by cooptation, upon recommendation by the Chairman and subject to a report by the Nomination and Remuneration Committee. The initiative of the Board regarding the incorporation of members by no means detracts from the sovereign power of the General Meeting to appoint and remove directors, or from any potential exercise by shareholders of their right to proportional representation.

The persons nominated by the Board for appointment or re-appointment as directors must be persons of recognised standing, with adequate experience and expertise to be able to perform their duties.

As regards the role of the Nomination and Remuneration Committee in the appointment of directors, see the duties of this Committee in section B.2.3 of this Report.

Directors are appointed for a term of four years, after which they are eligible for re-election on one or several occasions for terms of an equal duration. This term of four years is counted from the date of the General Meeting at which they are appointed, or ratified when previously appointed by cooptation by the Board.

If vacancies arise during the term for which they were appointed, the Board may appoint shareholders to fill those vacancies up to the next general meeting. Directors' appointments shall end at the first general meeting held after expiry of their term or lapse of the time stipulated in law for holding the general meeting that is to approve the accounts of the previous year.

The Board regularly rates the Directors on their efficiency and fulfilment of their obligations, requesting the corresponding reports from its Committees, and if considered necessary it may propose any modifications that may be appropriate to improve their performance.

Directors retire upon expiry of the term for which they were appointed and in all other events stipulated in law, the Articles of Association or the Regulations of the Board. They must tender their resignations to the Board and step down in the events established in Article 24 of the Regulations of the Board.

B.1.20. Indicate the events in which directors are obliged to retire.

The retirement and resignation of directors are regulated in Article 24 of the Regulations of the Board:

- Directors must step down at the end of the term for which they were appointed and in all other events stipulated in law, the Articles of Association and the Regulations of the Board.

- Directors must also tender their resignations and step down in the following cases:

a) When they are affected by one of the causes of incompatibility or disqualification established in law, the articles of association or the regulations.

b) When they step down from the executive post to which their appointment as director was linked, when the shareholder they represent on the Board disposes of its shares in the company or reduces its interest to an extent requiring a reduction in the number of proprietary directors and, in general, whenever the reasons for their appointment disappear.

c) When the Board, following a report by the Nomination and Remuneration Committee, considers that the Director has seriously defaulted his obligations or for reasons of corporate interest.

The Board of Directors shall propose to the General Meeting of Shareholders that a Director be removed if one of the circumstances described above occurs and the Director fails to tender his resignation.

B.1.21. Explain whether the Chairman of the Board is the highest executive of the company. If so, state what measures have been adopted to limit the risks of any single person having unfettered powers:

YES

<b>Measures for limiting risks</b>
<p>With a view to establishing corrective measures in the articles of association to prevent excessive concentration of power in the Chairman when he is also the most senior executive of the company, Article 25 of the Articles of Association creates the figure of a Vice-Chairman appointed from among the non-executive directors to boost the management supervision and control duties.</p> <p>In accordance with this provision, the current Vice-Chairman of the Board, José Barreiro Seoane, is an independent director and performs the aforesaid duties.</p>

Indicate and if appropriate explain whether rules have been established authorising one of the independent directors to request the calling of a board meeting or the inclusion of new items on the agenda, to coordinate and echo the concerns of non-executive directors and to direct the assessment by the board.

YES

<b>Explanation of the rules</b>
<p>The Regulations of the Board specify the events in which directors may request the calling of a board meeting or inclusion of items on the agenda; this power is not limited to independent directors.</p> <p>Article 9.2 of the Regulations establishes that one-third of the board members may, no less than six days prior to the scheduled date of the Board meeting, request the inclusion of any items they believe ought to be transacted.</p>

<b>Explanation of the rules</b>
<p>Article 9.5 of the Regulations states that the board may discuss and resolve on issues included on the agenda and any others that all the directors present and represented agree to transact.</p>
<p>Article 25.2.b) stipulates that Directors shall also request meetings of the corporate bodies to which they belong whenever they consider this necessary in the interests of the Company, proposing whatever items they think should be included on the agenda.</p>
<p>Finally, Article 33.1 provides that if the Chairman of the Board is also the chief executive of the company, a Vice-Chairman must be appointed from among the non-executive directors with the power to request the calling of a board meeting or the inclusion of new items on the agenda, who may organise meetings to coordinate non-executive directors and will direct the Chairman performance rating.</p>

B.1.22. Are special majorities differing from those stipulated in law required for any type of decision?

NO

Explain how resolutions are adopted on the Board, indicating at least the quorum and the majorities required for adopting resolutions:

**Description of the resolution:**

Ordinary resolutions.

<b>Quorum</b>	%
Quorum for attendance: one-half plus one of the Board members	51.00

<b>Majority</b>	%
These resolutions are adopted by absolute majority of the directors present or represented at each meeting.	51.00

**Description of the resolution:**

Resolutions delegating powers to the Executive Committee and Managing Director, or CEO, and appointing directors to those positions.

<b>Quorum</b>	%
Quorum for attendance: two-thirds of the Board members	66.66

<b>Majority</b>	%
These resolutions are adopted by a majority of two-thirds of the Board members	66.66

B.1.23. Are there any specific requirements, other than those established for directors, to be appointed Chairman?

NO

B.1.24. Does the Chairman have a casting vote?

YES

<b>Matters on which there is a casting vote</b>
All.

B.1.25. Do the Articles of Association or Regulations of the Board establish an age limit for directors?

NO

<b>Age limit Chairman</b>	<b>Age limit Managing Director</b>	<b>Age limit Director</b>
0	0	0

B.1.26. Do the Articles of Association or Regulations of the Board establish a limited term of office for independent directors?

NO

<b>Maximum number of years in office</b>	0
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B.1.27. If the number of female directors is small or non-existent, explain why and the initiative taken to remedy that situation.

<b>Explanation of reasons and initiatives</b>
Board members are appointed regardless of candidates' sex so there is no positive or negative discrimination of any nature in the election of directors.  María Blanca Hernández Rodríguez was appointed director in 2006 and Sol Daurella Comadrán was appointed director in 2010.



In particular, indicate whether the Nomination and Remuneration Committee has established procedures to ensure that the selection procedures are not implicitly biased against the selection of female directors and deliberately search for candidates with the required profile:

NO

<b>Describe the principal procedures</b>

B.1.28. Are there any formal procedures for the delegation of votes at Board meetings? If so, include a brief description.

Both the Articles of Association (Article 24) and the Regulations of the Board (Article 10) contemplate the possibility of directors attending Board meetings through a duly authorised proxy.

The proxy must be made in writing especially for each board meeting, in favour of another director.

The represented director may issue specific instructions on how to vote on any or all of the items on the agenda.

B.1.29. State the number of meetings held by the Board of Directors during the year, indicating, if appropriate, how many times the Board has met without the Chairman:

<b>Number of board meetings</b>	13
<b>Number of board meetings held without the chairman</b>	0

Number of meetings held by the different Committees of the Board:

<b>Number of meetings of the Executive Committee</b>	7
<b>Number of meetings of the Audit Committee</b>	7
<b>Number of meetings of the Nomination and Remuneration Committee</b>	6
<b>Number of meetings of the Nomination Committee</b>	0
<b>Number of meetings of the Remuneration Committee</b>	0

B.1.30. Number of meetings held by the Board during the period without the attendance of all its members. Proxies made without specific instructions will be considered absences:

<b>Number of absences of directors during the year</b>	0
<b>% absences to total votes during the year</b>	0.000

B.1.31. Are the separate and consolidated annual accounts submitted to the Board for approval previously certified?

NO

If so, name the person(s) who certify the separate or consolidated annual accounts of the company before they are approved by the Board:

B.1.32. Explain the mechanisms, if any, established by the Board to avoid a qualified auditors' report on the separate and consolidated accounts laid before the General Meeting.

Relations with the auditors are expressly regulated in Article 19 of the Regulations of the Board, which stipulates in section 2 that the Board shall endeavour to draw up the Annual Accounts in such a way as to avoid a qualified Auditors' report.

Within the specific duties attributed to the board in certain areas, Article 7.1 of the Regulations establishes that the Board shall see that the separate and consolidated Annual Accounts and Directors' Reports give a true and fair view of the equity, financial position and results of the company, as stipulated in law, and each and all of the Directors shall have all the necessary information before signing the Annual Accounts.

Article 13.3 of the Regulations of the Board gives the Audit and Compliance Committee certain powers to ensure that the Annual Accounts are filed without a qualified auditors' report (see section B.2.3).

B.1.33. Is the Secretary of the Board a Director?

NO

B.1.34. Explain the procedure for appointment and removal of the Secretary of the Board, indicating whether the Nomination Committee has issued a report for such appointment and removal and whether they were approved by the full board.

<b>Appointment and removal procedure</b>
The Secretary of the Board may or may not be a director, is appointed by the Board upon recommendation by the Nomination and Remuneration Committee, after ensuring that his/her professional profile is adequate to

### Appointment and removal procedure

guarantee the best performance of the duties corresponding to this position by law, the Articles of Association and Regulations of the Board.

The company has not established any procedure for removal of the Secretary of the Board other than that stipulated in law, although Article 24.3 of the Regulations of the Board submits the Secretary, regardless of whether or not he/she is also a director, to the same obligations as the directors of explaining to all the Board members the reasons for retirement or resignation prior to the end of his/her term of office.

<b>Does the Nomination Committee issue a report on the appointment?</b>	YES
<b>Does the Nomination Committee issue a report on the removal?</b>	YES
<b>Does the full Board approve the appointment?</b>	YES
<b>Does the full Board approve the removal?</b>	YES

Is the Secretary of the Board responsible especially for overseeing compliance with the recommendations on good governance?

YES

### Comments

Article 36.2 of the Regulations of the Board provides that in addition to the duties assigned by law and the Articles of Association, the Secretary of the Board shall, in particular:

a) Ensure that the Board's actions:

- Conform to the text and spirit of the laws and statutory instruments, including those approved by the watchdogs.
- Conform to the company Articles of Association and the Regulations of the General Meeting, the Board and any other regulations the company may have.
- Take account of the recommendations on good governance accepted by the company.

b) Keep all company documents, duly record the proceedings of meetings in the corresponding minute books and certify the resolutions of those corporate bodies of which he/she is Secretary.

c) Channel, generally, the Company's relations with Directors in all matters concerning the functioning of the Board and the Committees he/she is on, following the instructions of the respective Chairman.

d) Implement and facilitate exercise by the Directors of their right to information on the terms stipulated in these Regulations.

B.1.35. Describe any mechanisms established by the company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.

Both the Articles of Association and the Regulations of the Board vest in the Audit and Compliance Committee the power, among others, to contact the auditors and receive information on any issues that may jeopardise their

independence, and any other issues relating to the auditing of accounts, and receive information from and exchange communications with the auditors in accordance with prevailing auditing standards and legislation.

Article 19 of the Regulations of the Board addresses relations with the auditors, obliging the Board to establish an objective, professional, continuous relationship with the External Auditors of the Company appointed by the General Meeting, guaranteeing their independence and putting at their disposal all the information they may require to perform their duties. It further establishes that the aforesaid relationship with the External Auditors of the Company and the relationship with the Internal Audit Manager shall be conducted through the Audit and Compliance Committee.

Finally, Article 28.2 of the Articles of Association and Article 13.3 of the Regulations of the Board establish the following powers of the Audit and Compliance Committee in this respect:

- Ensure that the systems used for preparing the separate and consolidated Annual Accounts and Directors' Report submitted to the Board to be drawn up in accordance with current legislation give a true and fair view of the equity, financial position and results of the Company, ensuring also that interim accounts are drawn up according to the same accounting principles as the annual accounts, considering the possibility, if appropriate, of requiring the external auditors to make a limited audit thereof.
- Have contacts with the Auditors to receive information on any issues that may jeopardise their independence, and any other issues relating to the auditing of accounts, receiving information from and exchanging communications with the Auditors in accordance with prevailing auditing standards and legislation.

B.1.36. Indicate whether the external auditors have changed during the year. If so, name the incoming and outgoing auditors:

NO

Outgoing auditor	Incoming auditor

Explain any disagreements with the outgoing auditor:

NONE

B.1.37. State whether the firm of auditors does any work for the company and/or its group other than standard audit work and if so, declare the amount of the fees received for such work and the percentage it represents of the total fees invoiced to the company and/or its group.

YES

	Company	Group	Total
<b>Cost of work other than auditing (thousand euro)</b>	196	153	349
<b>Cost of work other than auditing / Total amount invoiced by the auditors (%)</b>	47.700	11.100	19.510

B.1.38. Indicate whether the auditors' report on the annual accounts of the previous year was qualified. If so, state the reasons given by the Chairman of the Audit Committee to explain the content and scope of the qualifications.

NO

B.1.39. State the number of years in succession that the current firm of auditors has been auditing the annual accounts of the company and/or its group. Indicate the ratio of the number of years audited by the current auditors to the total number of years that the annual accounts have been audited:

	Company	Group
Number of years in succession	2	2

	Company	Group
Number of years audited by current auditors / Number of years that the company has been audited (%)	9.1	9.1

B.1.40. Indicate the stakes held by Board members in the capital of undertakings engaged in activities identical, similar or complementary to those comprising the objects of the Company and its Group, as far as the company has been notified. Indicate also the positions held or duties performed in those undertakings:

Name of director	Name of company	% interest	Position or duties
ANTONIO HERNÁNDEZ CALLEJAS	CASARONE AGROINDUSTRIAL, S.A.	3.620	NO POSITION HELD
ANTONIO HERNÁNDEZ CALLEJAS	INSTITUTO HISPANICO DEL ARROZ, S.A.	16.666	NO POSITION HELD
MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	INSTITUTO HISPÁNICO DEL ARROZ, S.A.	16.666	NO POSITION HELD
MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	CASARONE AGROINDUSTRIAL, S.A.	3.020	NO POSITION HELD

Name of director	Name of company	% interest	Position or duties
RUDOLF-AUGUST OETKER	DR. AUGUST OETKER KG	12.500	CHAIRMAN

B.1.41. Indicate, giving details if appropriate, whether a procedure has been established for directors to receive external counselling:

YES

Details of procedure
<p>The directors' right to counselling and information is regulated in Article 30 of the Regulations of the Board, which provides in 30.2 that:</p> <p>a. Any Director may, in the course of any specific duties commissioned to him on an individual level or within the framework of any of the Committees of the Board, request the Chairman to contract, at the Company's expense, such legal advisers, accountants, technical, financial or commercial experts or others as he may consider necessary, in order to assist him in the performance of his duties, provided such counselling is justified to resolve specific problems that are particularly complex and important.</p> <p>b. Considering the circumstances of the specific case, the Chairman may (i) deny or authorise the proposal in a communication sent through the Secretary of the Board, who shall, provided the proposal is authorised, contract the expert in question; and (ii) put the proposal to the Board, which may refuse to finance the counselling if it considers it unnecessary for discharging the duties commissioned, or out of proportion with the importance of the matter, or if it considers that the technical assistance requested could be adequately provided by Company employees.</p>

B.1.42. Indicate, with details if appropriate, whether there is an established procedure for directors to obtain sufficiently in advance any information they may need to prepare the meetings of the governing bodies:

YES

Details of procedure
<p>Article 25.2 a) of the Regulations of the Board establishes the duty of directors to request the necessary information to adequately prepare Board and Committee meetings.</p> <p>Articles 9.1 and 9.3 of the Regulations of the Board in turn establish that (i) directors shall receive information at Board meetings on the most important aspects of corporate management, any foreseeable risk situations for the company and its subsidiaries and the actions proposed by the Top Management in respect thereof; and (ii) whenever possible, any necessary information relating to the items on the agenda shall be sent to the Directors together with the notice of call.</p> <p>The procedure for informing directors is regulated in Article 30.1 of the Regulations of the Board, which provides that whenever so required in the performance of their duties, directors shall have the fullest powers to obtain information on any corporate affairs, obtaining such documents, records, background information or other elements as they may require in this respect. This right to information is extended to subsidiaries.</p>

Details of procedure
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All requests for information shall be addressed to the Chairman and met by the Secretary of the Board, who shall supply the information directly or indicate who is to be contacted within the Company and, in general, establish the necessary measures to fully meet the director's right to information.
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B.1.43. Indicate, with details if appropriate, whether the company has established any rules obliging Directors to report and, if necessary, retire in any situations that could be detrimental to the prestige and reputation of the company:

YES

Explanation
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Article 22 of the Regulations of the Board, which regulates the incompatibilities of directors and establishes their obligations in respect of no competition, conflicts of interest and related-party transactions, also expressly stipulates that if a director is sued or tried for any of the offences contemplated in the Capital Companies Act s. 213, the Board shall examine the case as soon as possible and decide, in consideration of the specific circumstances, whether or not the Director in question should remain in office, including a reasoned account in the Annual Corporate Governance Report.
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B.1.44. Has any member of the Board informed the company that he/she has been sued or brought to trial for any of the offences contemplated in section 124 of the Corporations Act?

NO

Has the Board studied the case? If so, indicate and explain the decision made as to whether or not the director should remain in office.

NO

Decision adopted	Reasoned explanation

## B.2. Committees of the Board

B.2.1. Give details of the different committees and their members:

### EXECUTIVE COMMITTEE

Name	Position	Type
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Name	Position	Type
ANTONIO HERNÁNDEZ CALLEJAS	CHAIRMAN	EXECUTIVE
ALIMENTOS Y ACEITES, S.A.	MEMBER	PROPRIETARY
DEMETRIO CARCELLER ARCE	MEMBER	PROPRIETARY
JOSÉ BARREIRO SEOANE	MEMBER	INDEPENDENT
LEOPOLDO DEL PINO Y CALVO-SOTELO	MEMBER	PROPRIETARY

#### AUDIT COMMITTEE

Name	Position	Type
SOL DAURELLA COMADRÁN	CHAIRMAN	INDEPENDENT
EUGENIO RUIZ-GÁLVEZ PRIEGO	MEMBER	OTHER NON-EXECUTIVE
FERNANDO CASTELLÓ CLEMENTE	MEMBER	INDEPENDENT
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	MEMBER	INDEPENDENT
MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	MEMBER	PROPRIETARY

#### NOMINATION AND REMUNERATION COMMITTEE

Name	Position	Type
FERNANDO CASTELLÓ CLEMENTE	CHAIRMAN	INDEPENDENT
DEMETRIO CARCELLER ARCE	MEMBER	PROPRIETARY
JOSÉ BARREIRO SEOANE	MEMBER	INDEPENDENT
MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	MEMBER	PROPRIETARY
SOL DAURELLA COMADRÁN	MEMBER	INDEPENDENT

#### STRATEGY AND INVESTMENT COMMITTEE

Name	Position	Type
DEMETRIO CARCELLER ARCE	CHAIRMAN	PROPRIETARY
ANTONIO HERNÁNDEZ CALLEJAS	MEMBER	EXECUTIVE
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	MEMBER	PROPRIETARY



Name	Position	Type
JOSÉ NIETO DE LA CIERVA	MEMBER	PROPRIETARY
LEOPOLDO DEL PINO Y CALVO-SOTELO	MEMBER	PROPRIETARY

B.2.2. State whether the Audit Committee has the following duties:

Oversee the preparation and integrity of the company's, and where appropriate the group's, financial reporting, checking compliance with the legal requirements, adequate definition of the consolidated group and correct application of accounting principles	YES
Regularly check the internal control and risk management systems, ensuring that the principal risks are adequately identified, managed and reported	YES
Ensure the independence and efficacy of the internal audit duties; propose the nomination, appointment, re-appointment and removal of the chief audit officer; propose the budget for this department; receive regular information on its activities; and check that the top management heeds the conclusions and recommendations set out in its reports	YES
Establish and supervise a "whistle-blowing" procedure so employees can confidentially or, where appropriate, even anonymously report any irregularities they observe in the company's conduct, particularly in financial and accounting aspects.	YES
Submit to the Board proposals for nomination, appointment, re-appointment and replacement of external auditor, and terms of engagement	YES
Receive regularly from the external auditor information on the audit plan and the outcome of its fulfilment and see that top management heeds its recommendations	YES
Guarantee the independence of the external auditor	YES
In the case of groups, encourage the group auditor to audit the different companies in the group	YES

.2.3. Describe the rules of organisation and procedure and the responsibilities attributed to each Committee

**Name of committee**

STRATEGY AND INVESTMENT COMMITTEE

**Brief description**

The Strategy and Investment Committee has a minimum of three and a maximum of five Directors, including a Chairman, appointed by the Board of Directors in accordance with the company's Articles of Association. The Committee meets whenever called by its Chairman or at the request of two of its members and whenever the Board requests the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties. Notices of call are issued by the Secretary by order of the Chairman. Whenever the Committee so requests its Chairman, its meetings may be attended by any member of the management team of the Company, who may speak but not vote. At the following Board meeting, the Chairman of the Strategy and Investment Committee reports on all resolutions, reports or proposals made by the Committee since the previous Board meeting. Directors have access to the minutes of Committee meetings, through the Secretary of the Board. The Strategy and Investment Committee studies, issues reports and submits proposals for the Board on the following matters: a)

Setting of targets for growth, yield and market share of the company. b) Development plans, new investments, and strategic restructuring processes. c) Coordination with subsidiaries in the matters contemplated a) and b), for the common interest and benefit of the Company and its subsidiaries. In the performance of its duties, it may, where necessary, obtain information and collaboration from the members of the Company management, through the Chairman of the Committee.

**Name of committee**

NOMINATION AND REMUNERATION COMMITTEE

**Brief description**

The Nomination and Remuneration Committee has a minimum of three and a maximum of five non-executive Directors, appointed by the Board of Directors in accordance with the company articles of association. This notwithstanding, the Company Secretary acts as Secretary of the Committee, with voice but no vote, issuing minutes of all resolutions adopted. The Committee appoints one of its members who is an independent director to be Chairman. The Committee meets whenever called by its Chairman or at the request of two of its members and at least once every three months. It also meets whenever the Board requests the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties. Meetings are called by the Secretary of the Committee by order of the Chairman. Whenever the Committee so requests its Chairman, its meetings may be attended by any member of the company management, who may speak but not vote.

At the following Board meeting, the Chairman of the Nomination and Remuneration Committee reports on all resolutions, reports or proposals made by the Committee since the previous Board meeting. Directors have access to the minutes of Committee meetings, through the Secretary of the Board.

The Committee studies, issues reports and submits proposals for the Board on the following matters: a) Definition and revision, where necessary, of the criteria to be followed for the composition and structure of the Board and for selection of candidates to sit on the Board. It informs in advance on the appointment of a director by cooptation or the submission of any proposals to the general meeting regarding the appointment or removal of directors. b) Appointment of the Chairman, Vice-Chairman, Managing Director if any, General Manager and Company Secretary, and assignment of the directors to the Executive Committee, the Audit and Compliance Committee and the Strategy and Investment Committee, and appointment of the members of the Management Committee and such other advisory committees as the Board may create, as well as the appointment and possible removal of senior officers and their contractual clauses regarding severance pay. c) Position of the company on the appointment and removal of members of the governing bodies of its subsidiaries. d) Proposal of directors' emoluments, in accordance with the rules on remuneration established in the Articles of Association and the relations of executive directors with the company. The Committee must also inform in advance on any resolution or proposal of the Board on the remuneration of directors and executives indexed to the share price of the company or its subsidiaries, or consisting of the delivery of shares in the company or its subsidiaries or stock options. e) Preparation, if appropriate, of a proposal on the Statute of Senior Officers. f) Supervision of the Top Management remuneration and incentives policy, being informed and informing also on the criteria followed by the company's subsidiaries. g) Assessment of the principles of the policy regarding the training, promotion and selection of management personnel in the parent company and its subsidiaries, where appropriate. h) Examination and organisation, howsoever may be considered appropriate, of the succession of the Chairman and CEO and, where appropriate, submission of proposals to the Board to ensure that the succession is made in an orderly, well-planned fashion. i) Proposal for the appointment of senior executives of the Company and determination of their terms of contract and remuneration, considering this to include any executives with a rank equal to or higher than Department Manager, being informed and informing also on the appointments and terms of contract of the senior executives of the company's subsidiaries.

**Name of committee**

EXECUTIVE COMMITTEE

**Brief description**

In addition to the Chairman and the Vice-Chairman, other Directors may sit on the Executive Committee, up to a maximum of seven members, with the composition stipulated in the Articles of Association. All the members of this Committee are appointed by the Board, which also specifies what powers are delegated to it, in accordance with the Articles of Association and the Regulations of the Board, requiring votes in favour of at least two-thirds of the Board members to carry the relevant resolutions. Save otherwise resolved by the Board, all the powers of the Board that may be delegated according to law, the Articles of Association and the Regulations are deemed delegated to this Committee on its creation, subject to the limits established from time to time in the recommendations on good corporate governance. The Chairman and Secretary of the Board hold the corresponding positions on the Executive Committee. The Executive Committee generally meets once a month. Its meetings may be attended by such members of management, employees and advisers of the company as the Committee may deem fit. Without prejudice to the autonomy of decision of the Executive Committee in respect of the delegated powers, its resolutions being fully valid and effective without ratification by the Board, whenever circumstances so require, in the opinion of the Chairman or three members of the Committee, the resolutions adopted by the Executive Committee are submitted to the Board for ratification. This is also the case in matters which the Board has delegated the Committee to study, while reserving for itself the ultimate decision, in which case the Executive Committee merely submits the corresponding proposal to the Board. At the request of any of its members, the Directors will be informed at the first Board meeting following any meeting of the Executive Committee of all resolutions adopted by the latter since the previous Board meeting. Directors are granted access to the minutes of Executive Committee meetings whenever they so request of the Secretary of the Board. The Executive Committee has the following powers: a) Adopt resolutions corresponding to the powers delegated to it by the Board of Directors. b) Monitor and supervise the overall and day-to-day management of the Company, ensuring adequate coordination with the subsidiaries in the common interests of the latter and the company. c) Study and propose the guidelines defining the business strategy, supervising its implementation. d) Discuss and report to the Board on any matters related with the following business, regardless of whether or not they have been delegated by the Board: - Individual and consolidated annual budget of the company, specifying the amounts budgeted for each core business. - Monthly monitoring of the economic management, deviations from the budget and proposals for remedial measures, if necessary. - Significant material or financial investments and their corresponding economic justification. - Alliances and agreements with companies considered important for the company, by virtue of their amount or nature. - Financial transactions of economic importance for the company. - Programme of medium-term activities. - Assessment of the achievement of objectives by the different operating units of the company. - Monitoring and assessment of the aspects contemplated in d) in the subsidiaries. e) Adopt resolutions corresponding to the acquisition and disposal of treasury stock by the Company, in accordance with the authorisation granted by the General Meeting. A particular director may be appointed to execute and process decisions to buy or sell own shares, overseeing and, where necessary, authorising, provided it is lawful, any agreements that may be made by subsidiaries for the acquisition and disposal of own shares or shares in the company.

**Name of committee**

AUDIT COMMITTEE

**Brief description**

The Audit and Compliance Committee has a minimum of three and a maximum of five non-executive Directors appointed by the Board in accordance with the company Articles of Association. The Board appoints one of the Committee members who are independent directors Chairman of this Committee, to be replaced every four years and becoming eligible for re-election one year after his retirement as such. The Chairman of the Board may attend the meetings of this Committee, with voice but no vote. In the absence of the Chairman, he is provisionally substituted by the Committee member so appointed by the Board, or otherwise by the oldest member of the Committee. The Company Secretary is Secretary of this Committee, with voice but no vote, issuing minutes of the resolutions adopted. The Committee meets as and when called by its Chairman, or at the request of two of its members and at least once every three months. It also meets whenever the Board requests the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties. The notice of call is issued by the Secretary of the

Committee by order of the Chairman. Apart from the members, any company executive may be called to attend a committee meeting. Committee meetings are held at the registered office of the company, or wherever else the Chairman may indicate, specifying the venue in the notice of call, and are quorate when attended, in person or by proxy, by the majority of its members. Resolutions are adopted with the favourable votes of the majority of the members attending the meeting in question. In the event of a tie, the chairman or acting chairman has the casting vote. At the following Board meeting, the Chairman of the Audit and Compliance Committee reports on all resolutions, reports or proposals made by the Committee since the previous Board meeting. Directors have access to the minutes of Committee meetings, through the Secretary of the Board. The Audit and Compliance Committee has the following powers: a) Be informed of the procedures and systems used for drawing up the financial information of the Company, supervising the services of the Internal Audit Department. b) Receive the information sent regularly to the Stock Exchange Councils, issue prospectuses and any public financial information offered by the Company and, in general, all information prepared for distribution among shareholders, ensuring the existence of internal control systems that guarantee the transparency and truth of the information. c) Ensure that the systems used for preparing the separate and consolidated Annual Accounts and Directors' Report submitted to the Board to be drawn up in accordance with current legislation give a true and fair view of the equity, financial position and results of the Company, making sure that interim accounts are drawn up according to the same accounting principles as the annual accounts, considering the possibility of requesting the external auditors to make a limited audit thereof. In this respect, it also sees that the internal control systems are adequate and effective in respect of the accounting practices and principles used for drawing up the annual accounts of the company, supervising the policies and procedures established for ensuring due compliance with applicable legal provisions and internal regulations. The Committee shall, through its Chairman, obtain information and collaboration from both the Internal Audit Manager and the External Auditors to perform these duties. Furthermore, whenever the Committee so requests its Chairman, its meetings may be attended by any member of the company management, who may speak but not vote. d) Have contacts with the Auditors to receive information on any issues that may jeopardise their independence, and any other issues relating to the auditing of accounts, receiving information from and exchanging communications with the External Auditors in accordance with prevailing auditing standards and legislation. e) Be informed of the decisions adopted by the top management according to recommendations made by the External Auditors in connection with the audit. f) Inform the Board before the latter body adopts any decision regarding related-party transactions submitted for authorisation. g) Establish an internal "whistle-blowing" procedure so employees can confidentially report any potentially important irregularities. h) Supervise compliance with the internal codes of conduct and the rules on good corporate governance.

**Name of committee**

MANAGEMENT COMMITTEE

**Brief description**

The Board appoints a Management Committee, consisting of the persons responsible for the principal management units and business areas of the Company and its subsidiaries and the executive directors proposed by the Nomination and Remuneration Committee, chaired by the Chairman of the Board or the Managing Director, as the case may be. The Company Secretary is Secretary of this Committee. The Management Committee prepares and follows up decisions within the management of the Company, regarding strategy, budget, finance and personnel, draws up business plans and controls their implementation, defining the Company's position in respect of its subsidiaries on these matters. The Committee meets whenever called by its Chairman and in any case whenever the Board or Committees of the Board request the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties. Committee meetings are called by the Secretary, by order of the Chairman.

B.2.4. Indicate, where appropriate, the advisory or counselling powers and delegations, if any, of each committee:

**Name of committee**

STRATEGY AND INVESTMENT COMMITTEE

**Brief description**

THOSE CONTEMPLATED IN ARTICLE 15 OF THE REGULATIONS OF THE BOARD. SEE SECTION B.2.3 OF THIS REPORT.

**Name of committee**

NOMINATION AND REMUNERATION COMMITTEE

**Brief description**

THOSE CONTEMPLATED IN ARTICLE 14 OF THE REGULATIONS OF THE BOARD. SEE SECTION B.2.3 OF THIS REPORT.

**Name of committee**

EXECUTIVE COMMITTEE

**Brief description**

THOSE CONTEMPLATED IN ARTICLE 12 OF THE REGULATIONS OF THE BOARD. SEE SECTION B.2.3 OF THIS REPORT.

**Name of committee**

AUDIT COMMITTEE

**Brief description**

THOSE CONTEMPLATED IN ARTICLE 13 OF THE REGULATIONS OF THE BOARD. SEE SECTION B.2.3 OF THIS REPORT.

B.2.5. Indicate the existence, if appropriate, of regulations of the board committees, where they are available for consultation and any modifications made during the year. State whether an annual report has been issued voluntarily on the activities of each committee.

**Name of committee**

STRATEGY AND INVESTMENT COMMITTEE

**Brief description**

There is no separate text regulating the Strategy and Investment Committee, which is sufficiently regulated in the Regulations of the Board of Directors (Article 15).

The Regulations of the Board are available for consultation on the company's web site ([www.ebrofoods.es](http://www.ebrofoods.es)) and on the web site of the National Securities Market Commission ([www.cnmv.es](http://www.cnmv.es)).

**Name of committee**

NOMINATION AND REMUNERATION COMMITTEE

**Brief description**

There is no separate text regulating the Nomination and Remuneration Committee, which is sufficiently regulated in the Regulations of the Board of Directors (Article 14).

**Name of committee**

EXECUTIVE COMMITTEE

**Brief description**

There is no separate text regulating the Executive Committee, which is sufficiently regulated in the Regulations of the Board of Directors (Article 12).

**Name of committee**

AUDIT COMMITTEE

**Brief description**

There is no separate text regulating the Audit Committee, which is sufficiently regulated in the Regulations of the Board of Directors (Article 13).

**Name of committee**

MANAGEMENT COMMITTEE

**Brief description**

There is no separate text regulating the Management Committee, which is sufficiently regulated in the Regulations of the Board of Directors (Article 16).

B.2.6. Does the composition of the Executive Committee reflect the participation on the Board of the different types of Director?

YES

**C. RELATED-PARTY TRANSACTIONS**

C.1. Does the full Board reserve the right to approve, subject to a favourable report by the Audit and Compliance Committee or such other committee it may have commissioned, any transactions between the company and its directors, significant or represented shareholders or parties related thereto?

YES

C.2. List any significant transactions involving a transfer of resources or obligations between the company and/or companies in its group and controlling shareholders of the company:

Name of significant shareholder	Name of company or group company	Relationship	Type of transaction	Amount (thousand euro)
SOCIEDAD ANÓNIMA DAMM	HERBA RICEMILLS, S.L.U.	CONTRACTUAL	Sale of goods (finished or otherwise)	2,593

C.3. List any significant transactions involving a transfer of resources or obligations between the company and/or companies in its group and the directors or executives of the company:

Name of director or executive	Name of company or group company	Nature of the transaction	Type of transaction	Amount (thousand euro)
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Name of director or executive	Name of company or group company	Nature of the transaction	Type of transaction	Amount (thousand euro)
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	BOOST NUTRITION, C.V.	CONTRACTUAL	Sale of goods (finished or otherwise)	977
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	BOOST NUTRITION, C.V.	CONTRACTUAL	Purchase of goods (finished or otherwise)	979
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	EURIZA GMBH	CONTRACTUAL	Purchase of goods (finished or otherwise)	63
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	EURIZA GMBH	CONTRACTUAL	Sale of goods (finished or otherwise)	63
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HERBA FOODS, S.L.U.	CONTRACTUAL	Receipt of services	25
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HERBA RICEMILLS, S.L.U.	CONTRACTUAL	Sale of tangibles, intangibles or other assets	4
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HERBA RICEMILLS, S.L.U.	CONTRACTUAL	Sale of goods (finished or otherwise)	524
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HERBA RICEMILLS, S.L.U.	CONTRACTUAL	Purchase of goods (finished or otherwise)	3,889
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HERBA RICEMILLS, S.L.U.	CONTRACTUAL	Leases	102
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	S&B HERBA FOODS LIMITED	CONTRACTUAL	Purchase of goods (finished or otherwise)	121
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	S&B HERBA FOODS LIMITED	CONTRACTUAL	Sale of goods (finished or otherwise)	121

C.4. List any significant transactions with other companies in the group that are not eliminated in the consolidated financial statements and which do not, by virtue of their object or terms, correspond to the normal business of the Company:



C.5. State whether any of the board members have entered into any conflicts of interest pursuant to s. 127 ter of the Corporations Act during the period.

YES

**Name of director**

ANTONIO HERNÁNDEZ CALLEJAS

**Description of the conflict of interest**

See section B.1.40 of this report concerning his interest in Instituto Hispánico del Arroz, S.A. and Casarone Agroindustrial, S.A. He also holds a 16.666% stake in Hispafoods Invest, S.L.

**Name of director**

INSTITUTO HISPÁNICO DEL ARROZ, S.A.

**Description of the conflict of interest**

See section C.3 of this report concerning the related party transactions made with companies in the Ebro Foods Group.

**Name of director**

MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ

**Description of the conflict of interest**

See section B.1.40 of this report concerning her interest in Instituto Hispánico del Arroz, S.A. and Casarone Agroindustrial, S.A. She also holds a 16.666% stake in Hispafoods Invest, S.L.

C.6. Explain the mechanisms established to detect, define and resolve possible conflicts of interest between the company and/or its group, and its directors, executives or controlling shareholders.

The Audit and Compliance Committee ensures that the internal audit procedures and internal control systems are adequate and informs the Board on the related-party transactions submitted for its consideration and control of any possible conflicts of interest.

Under Article 28 of the Articles of Association, the Audit Committee has, among others, the power to ensure that transactions between the company and its subsidiaries or between these companies and directors and controlling shareholders are made on arm's length terms and respecting the principle of equal treatment, thus controlling any conflicts of interest that may arise in these related-party transactions.

Under Article 6 of the Regulations of the Board, the Board is competent, once a favourable report has been issued by the Audit and Compliance Committee, to authorise any related-party transactions between the company or group companies and directors, controlling shareholders or shareholders represented on the board. This authorisation is not necessary when the transactions meet all of the following three conditions:

- If the transactions are made under contracts with standard terms and conditions applied globally to many clients.
- If the transactions are made at prices or rates established generally by the supplier of the good or service in question.
- If the amount of the transaction is no more than 1% of the annual income of the company.

Article 22 of the Regulations of the Board establishes the following prohibitions and disqualifications, among others, for directors:



- Holding positions or duties of representation, management, counselling or rendering of services in rival companies or the holding or performance of such positions, duties or services in companies having a controlling stake in rival companies.

- Attendance and participation in the discussions of any of the corporate bodies concerning business in which the director personally, or a member of his/her family has an interest or a company in which the director has an executive position or a significant shareholding.

- Direct or indirect participation in related-party transactions with the company or other group companies without previously informing the Board and seeking its approval, except in the cases contemplated in Article 6.5 of these Regulations.

The article also bars from the board anyone who, personally or through an intermediary, holds office in or is a representative of or is otherwise related to companies that are habitual clients or suppliers of goods and services of the company, whenever this condition may give rise to a conflict or clash of interest with the Company or its subsidiaries; in such cases the Chairman shall be informed of the situation and request a report from the Audit and Compliance Committee. Financial institutions providing financial services for the company are excluded from the foregoing. Nor may anyone related through family, professional or commercial ties to executive directors or other senior officers of the Company be members of the Board unless, after informing the Chairman of this situation, a report is issued by the Audit and Compliance Committee excluding the specific case from this prohibition.

C.7. Is more than one company of the Group listed in Spain?

YES

Name the listed subsidiaries:

Listed subsidiary
BIOSEARCH, S.A.

State whether the respective areas of activity and possible business relations between them have been publicly defined, and those of the listed subsidiary with the other group companies:

YES

Define any business relations between the parent company and the listed subsidiary, and between the latter and other group companies
<p>Details are set out below of the significant transactions involving a transfer of resources or obligations made during 2010 between the Biosearch Group and the following companies wholly-owned by its controlling shareholder, Ebro Foods, S.A.: Puleva Food, S.L.U., Herba Ricemills, S.L.U., Boost Nutrition C.V., Riviana Foods Inc., SB Herba Foods, Ltd. and Dosbio.</p> <p>When preparing this information, the following variations in the Ebro Foods Group were taken into account:</p> <p>- On 1 July 2010 Biosearch, S.A. sold its interest in Española de ID, S.A. (sole subsidiary, with which it formed the Biosearch Group). Therefore, the related-party transactions of this subsidiary with the Ebro Foods Group, reported below, refer to the first six months of 2010.</p>

- On 2 September 2010 Ebro Foods, S.A. sold Puleva Food, S.L.U. to the Lactalis Group. The related party transactions between Biosearch, S.A. and Puleva Foods, S.L.U. described below were those made within the Group during the first 8 months of 2010.

There is a theoretical possibility of a conflict of interest deriving from the fact that the shareholders of Biosearch, S.A., which is also a listed company, do not entirely coincide with those of its parent company Ebro Foods, S.A. It is, therefore, essential that the terms of contract in all business relations between the different companies of the Ebro Foods group and the Biosearch Group are made strictly on arm's length terms, to avoid any detriment to the minority shareholders of either company, which are not represented on the boards of the contracting companies and, consequently, do not participate in the decision-making process.

During 2010, Biosearch, S.A. and Española de I+D, S.A. continued working with the companies in the Ebro Foods Group named above under different contracts signed with them:

#### 1. Relations between Puleva Food S.L.U. and Biosearch, S.A.

Biosearch S.A. provided R+D+I services for Puleva Food S.L.U. in 2010 under a number of project-specific contracts signed between the two companies, under the master agreement signed in 2001 for these counselling services. The different projects come within the following areas:

- Nutritional and clinical evaluation
- Development of new packaging technologies
- Development of new products
- Food safety and quality guarantee
- Product reformulation and authorisation of ingredients

The net turnover on services rendered during 2010 was 1,595 thousand euro.

In addition, during 2010 Biosearch sold Omega3 (EPA and DHA) and isoflavons to Puleva Food, S.L.U. for a sum of 1,866 thousand euro.

#### 2. Relations between Herba Ricemills, S.L.U. and Biosearch, S.A.

Under the contract of sale signed on 1 July 2010, Biosearch, S.A. sold to Herba Ricemills, S.L.U. (hereinafter Herba) 60% of the capital of Española de I+D, S.A. The total purchase price was 397 thousand euro.

During 2010, Biosearch, S.A. sold product to Herba for a value of 166 thousand euro.

Biosearch, S.A. also provided quality analysis services to Herba during 2010 for the value of 18 thousand euro, R+D services for 44 thousand euro and invoiced a further 4 thousand euro for other items.

#### 3. Relations between Herba Ricemills, S.L.U. and Española de I+D, S.A. (subsidiary of Biosearch, S.A.)

During 2010 Española de I+D, S.A. rendered services to Herba Ricemills S.L.U., up to the date of its purchase from Biosearch, S.A., for a value of 361 thousand euro.

These services were provided under the Consortium Agreement for the R+D+I Project (Cereals Project) signed on 22 February 2007 and presented to the Andalusian Technological Corporation and the Andalusian Innovation and Development Agency, according to which Herba Ricemills is the project leader and Española de I+D, S.A. provides work, resources and research and development services to the Project, according to the scientific and technical specifications and manpower requirements stipulated in the agreement, encompassed within the activity comprising its objects.

#### 4. Relations between Ebro Foods, S.A. and Biosearch, S.A.

Within the framework of the CMO sugar reform, Azucarera Ebro, S.L., then a subsidiary of the Ebro Group, presented its Northern Region Restructuring Plan at the end of 2007, undertaking to maintain a certain number of jobs at its plants in Castile-Leon, which derived in an undertaking by the Ebro Group to maintain 15 jobs in Peñafiel.

In February 2009, the Boards of Ebro Foods, S.A. and Biosearch, S.A. authorised an investment project to set up a plant to produce bioactive ingredients in Peñafiel. Ebro undertook to contribute the required land for Biosearch to install the necessary equipment for this project, which was to employ the number of persons that the Ebro Group had undertaken to maintain in Peñafiel.

On 1 January 2010, that group of 15 employees was effectively transferred to Biosearch, although 10 of those 15 employees subsequently left the company within a redundancy scheme, so there are currently 5 employees in active employment at the Peñafiel plant.

Under an agreement signed on 15 July 2010, Ebro Foods paid Biosearch a sum of 2,399 thousand euro to compensate the transfer of employees effective as of 1 January 2010.

Biosearch, S.A. received services from the holding Ebro Foods, S.A. during 2010 for a value of 131 thousand euro, in IT services and repercussion of the cost of insurance premiums payable on policies taken out for the Ebro Foods Group. Biosearch has also acquired intangibles from Ebro Foods with a value of 56 thousand euro.

#### 5. Other relations

During 2010, Biosearch, S.A. invoiced 8 thousand euro to Boost Nutrition C.V. for quality analysis services. It also provided different services for Riviana Foods Inc. and S&B Herba Foods Ltd valued at ..... thousand euro, respectively.

Up to the exclusion of Puleva Foods, S.L.U. from the consolidated Ebro Foods Group, there were current account agreements between Puleva Foods, S.L.U. and Ebro Foods, S.A. earning interest on arm's length terms on the balances deriving from any assignment or loan of cash between these companies and Biosearch, S.A. Biosearch, S.A. paid Puleva Food, S.L.U. financial expenses of 78 thousand euro for this interest in 2010.

Puleva Food, S.L.U. supplies certain goods and services to Biosearch, S.A., such as lease of the commercial offices and industrial buildings for the normal performance of its business, certain industrial supplies, counselling and administration services, etc. The total cost for Biosearch, S.A. of all these items during 2010 was 351 thousand euro.

Indicate the mechanisms in place for solving possible conflicts of interest between the listed company and other companies in the group:

#### **Mechanisms for solving possible conflicts of interest**

In its articles of association and regulations the company has commissioned the Audit and Compliance Committee, among other duties, to control any conflicts of interest that may arise.

The Articles of Association authorise the Audit and Compliance Committee to ensure that all transactions between the company and its subsidiaries, or between those companies and directors and controlling shareholders, are made on arm's length terms and respect the principle of equal treatment, thus controlling any conflict of interest that may arise in related-party transactions.

The Regulations of the Board establish that the Audit and Compliance Committee should report to the Board on any related-party transactions submitted for its consideration and on the control of any possible conflicts of interest.

See section C.6 of this Report in this regard.

## D. RISK CONTROL

D.1. General description of the risk policy of the company and/or its group, including details and assessment of the risks covered by the system, together with proof that those systems adapt to the profile of each type of risk.

Guided by the conceptual framework of the “Committee of Sponsoring Organizations of the Treadway Commission” (COSO) report on internal control, the Ebro Foods Group has established systems for risk identification, assessment, management and information.

The ultimate purpose of these risk control systems is to defend the interests of our shareholders, customers, employees and social environment. At the said time, they provide a sustained guarantee of the corporate reputation and financial strength of the Ebro Foods Group.

These risk control systems cover all the activities performed by the Group, consisting essentially of the agro-industrial rice, pasta and dairy businesses. The risks covered by these systems affect food quality, environmental, business, credit (or counterparty), regulatory, social and political, financial (exposure to exchange rate fluctuations) occupational and technological issues.

The Group is a pioneer within its sector in the development and furtherance of R+D, environmental and food quality, and internal audit.

The Group has environmental and food quality, commercial or counterparty risk, occupational hazard prevention and research & development committees, which are responsible for preventing and mitigating the risks.

In addition, all investment projects incorporate a risk analysis, to enable their economic and strategic assessment prior to decision-making. Decisions are adopted by the corresponding body according to the limits established, the largest projects requiring approval by the Board.

Finally, the Group is also exposed to another two types of risk: regulatory risk, subject to the guidelines established in the Common Agricultural Policy (CAP) and country or market risk. These risks have been reduced over recent years, through a firm policy of business and geographical diversification, increasing our presence in Europe, America (United States), Asia (Thailand and India) and Africa (Egypt and Morocco).

Within the same spirit, the first actions were taken in 2010 with a view to clinching the deal to buy up a large rice group in Australia.

D.2. Have any of the different types of risk (operating, technological, financial, legal, reputational, tax...) affecting the company and/or its group materialised during the year?

YES

If so, indicate the underlying circumstances and whether the control systems worked.

**Risk materialised during the year**

Normal risks in the performance of the Ebro Foods Group activities.

**Underlying circumstances**

Normal course of Group business.

**Functioning of the control systems**

The prevention and control systems of those risks worked properly.

D.3. Is there a Committee or other governing body responsible for establishing and supervising the control systems?

YES

If so, describe its duties:

**Name of committee or body**

Audit and Compliance Committee

**Description of duties**

Analyse and assess the principal risks to which the Group may be exposed and the systems established for their management and control.

D.4. Identification and description of processes for compliance with the different regulations affecting the company and/or its group.

The Group has a set of internal rules and procedures for its different activities, which are fully in keeping with the applicable legal provisions.

The reports of the Group's Internal Audit Department are prepared by experts independent from the business management and the department reports to the management bodies of the Group subsidiaries and the Audit and Compliance Committee of the parent company, Ebro Foods, S.A., on its conclusions and recommendations so that any remedies required may be taken and any necessary improvements implemented.

The board has also published a code of conduct and a corporate governance policy, by virtue of which we have been ahead of the legal requirements established from time to time.

## E. GENERAL MEETING

E.1. Indicate the quorums for General Meetings established in the Articles of Association and the differences, if any, in respect of the minimums stipulated in the Corporations Act.

NO

	<b>% quorum differing from that stipulated in the Corporations Act s. 102 for ordinary resolutions</b>	<b>% quorum differing from that stipulated in the Corporations Act s. 103 for special resolutions</b>
<b>Quorum required on 1st call</b>	0	0
<b>Quorum required on 2nd call</b>	0	0

E.2. Are there any differences in respect of the system stipulated in the Corporations Act for adopting corporate resolutions? If so, explain.

NO

What differences exist in respect of the system stipulated in the Corporations Act?

E.3. Describe any shareholders' rights in respect of General Meetings differing from those established in the Corporations Act.

The Regulations of the General Meeting contain and develop, in the articles indicated below, all the shareholders' rights in respect of general meetings stipulated in law, thus complying with the rules and recommendations for good governance:

- Shareholders' right to information is exhaustively regulated in Articles 5 and 6.
- Shareholders' right to attend and be represented by proxies is regulated in Article 7.
- Shareholders' right to participate is set out in Articles 11 and 12.
- Shareholders' voting right is regulated in Article 14.
- Finally, Article 18 establishes the shareholders' right to be informed of the resolutions adopted by the general meeting by the legal means of publication or through the company's web site, where the full text of such resolutions must be published.

Moreover, any shareholder may at any time obtain a certificate of the resolutions adopted and the minutes of the meeting.

**E.4. Describe the measures adopted, if any, to encourage the participation of shareholders at General Meetings.**

- Detailed, developed regulation of rights to information, attendance, proxy and voting contained in the Regulations of the General Meeting, as indicated above.
- Detailed notice of call to general meetings, clearly stating all the shareholders' rights and how they may be exercised.
- Publication of the corresponding notice in a specialist daily economic newspaper.
- Holding of general meetings where shareholders can easily attend, in the best and most comfortable conditions possible.
- Assistance for shareholders through the Shareholders' Office, where the team responsible for Investor Relations and other qualified staff are available to provide any assistance required by shareholders.
- Delivery of gifts to shareholders to encourage them to go to general meetings.

**E.5. Are General Meetings presided by the Chairman of the Board and what measures, if any, are taken to guarantee the independence and proper functioning of the General Meeting?**

YES

<b>Details of measures</b>
<p>The Regulations of the General Meeting regulate a number of measures regarding the organisation and procedure of the general meeting to guarantee its independence and proper functioning.</p> <p>Article 9 of said Regulations establishes the following measures in this regard:</p> <ul style="list-style-type: none"><li>- General meetings shall be presided by the Chairman of the Board, or, in his absence, by the Vice-Chairman, or otherwise by a director elected in each case by the shareholders attending the meeting.</li><li>- The Chairman shall be assisted by a Secretary, who shall be the Secretary of the Board, or the Vice-Secretary, if any, or otherwise such person as may be appointed at the general meeting.</li><li>- Should the Chairman or Secretary of the general meeting have to leave during the meeting, his/their duties shall be taken over by the corresponding person or persons as above and the meeting shall continue.</li><li>- The directors attending the general meeting shall form the Presiding Board.</li></ul> <p>Article 10 of the Regulations establishes the procedure for drawing up the attendance list, which may be drawn up in a file or included on any kind of data carrier. Moreover, should the Chairman deem fit, he may appoint two or more shareholders to act as scrutineers, assisting the presiding board in drawing up the attendance list and, if necessary, in the counting of votes, informing the general meeting thereof once it has been declared quorate.</p>

The powers of the Chairman of the General Meeting are described in Article 13 of the Regulations:

- Direct the debate, ensuring that it remains within the confines of the agenda, closing the debate when he considers the business sufficiently debated.
- Organise the shareholders' contributions as established in Article 12 of the Regulations of the General Meeting.
- Decide, where appropriate, on any extension of the time initially granted to shareholders to speak.
- Moderate the shareholders' contributions, requesting them if necessary to keep to the agenda and observe the appropriate rules of correct conduct when speaking.
- Call the shareholders to order when their contributions are clearly made to filibuster or upset the normal course of the general meeting.
- Withdraw the floor at the end of the time assigned for each contribution or when, despite the admonitions made in pursuance of this article, the shareholder persists in his conduct, taking such measures as may be necessary to ensure that the general meeting resumes its normal course.
- Announce voting results.
- Resolve any issues that may arise during the general meeting regarding the rules established in these Regulations.

Finally, as regards the conclusion and minutes of general meetings, Article 15 of the Regulations establishes that after voting on the proposed resolutions, the general meeting shall conclude and the Chairman shall close the session. The minutes of the general meeting may be approved at the end of the meeting or within fifteen days thereafter by the Chairman of the General Meeting and two scrutineers, one representing the majority and the other representing the minority, who shall be appointed at the proposal of the Chairman after declaring the general meeting quorate. If the presence of a notary has been required to issue a certificate of the general meeting, the minutes set out in the certificate shall be notarial and, as such, shall not require approval by those attending or by scrutineers.

#### E.6. Indicate any modifications made during the year to the Regulations of the General Meeting.

At the Annual General Meeting held on 1 June 2010, shareholders agreed by majority vote to alter the Regulations of the General Meeting and approve the recast text.

This alteration was made to adjust the Articles of Association to several changes in law introduced by Act 3/2009 of 3 April on structural modifications of corporations and Act 16/2007 of 4 July reforming and adapting commercial law on accounting, making it necessary to adapt the Regulations of the General Meeting accordingly.

The articles of the Regulations of the General Meeting that were altered are set out below:

- Article 2. Competence of the General Meeting

Only paragraph e) was altered, giving it the following text:

'Resolve on the increase or reduction of capital and any other alteration of the Articles of Association, the issuance of debentures, elimination or restriction of the right of pre-emption over new shares, the conversion, merger or division of the company, the global transfer of assets and liabilities or moving the registered office to



another country and authorise or delegate the Board to adopt and execute resolutions within the times stipulated in law.’

- Article 6. Right to information as from calling of the general meeting

Only point 1 was altered, giving it the following text:

‘Once the Annual General Meeting has been called, any shareholder shall be entitled to obtain from the registered office of the Company, immediately and free of charge, copies of all the documents that are to be laid before it for approval, together with the directors’ report and auditors’ report. The Annual Corporate Governance Report shall also be made available to shareholders for and at the Annual General Meeting.’

- Article 8. Quorum

The larger quorums previously required were eliminated, establishing those stipulated in law.

This article was reworded as follows:

‘1. General Meetings shall be quorate on first call when attended, in person or by proxy, by shareholders representing at least twenty-five per cent of the subscribed voting capital. On second call, general meetings shall be quorate regardless of the capital attending.

2. In order to validly adopt resolutions an increase or reduction of the capital or any other alteration of the Articles of Association, the issuance of debentures, elimination or restriction of the right of pre-emption over new shares, the conversion, merger or division of the company, the global transfer of assets and liabilities or moving the registered office to another country, the meeting must be attended on first call, in person or by proxy, by shareholders representing at least fifty per cent of the subscribed voting capital. On second call the attendance of twenty-five per cent of that capital shall suffice.

3. The quorum shall not be affected by any shareholders who leave during the General Meeting.

4. If the attendance of a certain percentage of the capital is required by law or the Articles of Association in order to validly adopt a resolution on one or several items on the agenda for the General Meeting and that percentage is not reached, the General Meeting shall discuss only those matters for which there is sufficient quorum.

5. The provisions of this article are without prejudice to any higher quorums or voting majorities that may be established in law.’

- Article 14. Voting and resolutions

Point 1 was altered as a result of the elimination of the larger quorums.

This point was reworded as follows:

‘1. Resolutions shall be carried with the votes in favour of the majority of voting capital present and represented at the general meeting, without prejudice to the quorums and voting majorities established for special resolutions in law.

Resolutions shall be adopted in accordance with the procedure and rules established below.

2. After due debate, the proposed resolutions shall be put to the vote.

The voting of resolutions shall follow the agenda set out in the notice of call, and if any motions have been submitted on issues that the general meeting is authorised to resolve without including them on the agenda, they shall be put to the vote after the proposals corresponding to the items on the agenda.

3. Once they have been read out by the Secretary, which formality may be omitted provided no shareholder objects, the general meeting shall vote first on the resolutions, if any, proposed by the Board and, otherwise, on any proposed by others, following the order established for this purpose by the Chairman.

Once a resolution has been approved, all other motions on the same issue that are incompatible with that resolution shall automatically be struck off the voting list.

4. Resolutions shall be adopted with the following voting system:

4.1. When voting on business included on the agenda, the votes corresponding to all shares present or represented at the general meeting shall be deemed to vote for the proposal in question, except a) the votes corresponding to shares whose holders or representatives notify the scrutineers and other assistants of the Presiding Board or the Notary, as the case may be, in a written communication or personal declaration, of their vote against, blank vote or abstention, and b) the votes corresponding to shares whose holders have voted against, cast a blank vote or abstained through the distance voting means contemplated in Article 13 bis of these Regulations.

4.2. When voting on business not included on the agenda, the votes corresponding to all shares present or represented at the general meeting shall be deemed to vote against the proposal in question, except a) the votes corresponding to shares whose holders or representatives notify the scrutineers and other assistants of the Presiding Board or the Notary, as the case may be, in a written communication or personal declaration, of their vote for, blank vote or abstention, and b) the votes corresponding to shareholders who have participated in the General Meeting through distance voting means.

4.3. For the purposes contemplated in 4.1 and 4.2 above, the shares attending the meeting shall be all those included on the attendance list, deducting those whose holders or representatives leave the meeting before the vote and who have declared this circumstance to the notary. For voting on decisions contemplated in s. 114.1 Securities Market Act, the shares corresponding to directors who may not vote pursuant to that provision shall not be considered shares attending.

5. The above notwithstanding, the Presiding Board may, if so required by prevailing circumstances, establish any other system of voting that allows confirmation of the necessary votes in favour for the adoption of resolutions, recording the voting results in the minutes.

6. Regardless of the system used to count the votes, the Presiding Board shall check that sufficient votes in favour have been cast to meet the majority stipulated in each case, enabling the Chairman to declare the corresponding resolution carried.

E.7. Give details of attendance of General Meetings held during the year:

Details of Attendance					
Date General Meeting	% in person	% by proxy	% distance voting		Total
			Electronic vote	Others	
01/06/2010	0.320	67.280	0.000	0.000	67.600

E.8. Give a brief account of the resolutions adopted at the general meetings held during the year and percentage of votes with which each resolution was passed.

All the resolutions proposed by the Board at the Annual General Meeting of Shareholders held on 29 April 2010 were approved on the terms and with the results indicated below:

#### ITEM ONE ON THE AGENDA

- To approve the annual accounts of EBRO FOODS, S.A. and its consolidated group for the year ended 31 December 2009.
- To approve the directors' reports on the year ended 31 December 2009 of both Ebro Foods, S.A. and its consolidated group, including the report issued under section 116 bis of the Securities Market Act and the Annual Corporate Governance Report, as drawn up by the Board of Directors.

These resolutions were approved by a majority of 99.93% of the voting capital present and represented.

#### ITEM TWO ON THE AGENDA

- To approve the management and all other actions by the Ebro Foods board during the year ended 31 December 2009.

This resolution was approved by a majority of 99.91% of the voting capital present and represented.

#### ITEM THREE ON THE AGENDA

- To approve the proposal for application of the profit for the year of Ebro Foods, S.A. as at 31 December 2009, according to the following details taken from the notes to the separate accounts, in thousand euro:

Base of application: 724,513

Unappropriated Reserves: 560,368

Balance of profit and loss account (profit): 164,145

- To approve the distribution of an ordinary dividend payable in cash against unappropriated reserves in a sum of 0.40 euro per share outstanding, in four quarterly payments of 0.10 euro each, on 5 April, 1 July, 1 October and 23 December 2010. Accordingly, to ratify the first of these four payments, made on 5 April. This dividend includes the proportional allocation that would correspond to the shares held as treasury stock.

These resolutions were approved by a majority of 99.93% of the voting capital present and represented.

#### ITEM FOUR ON THE AGENDA

- To ratify the sale of the dairy business, as arranged by the Board of Directors of Ebro Puleva, S.A., to Grupo Lactalis Iberia, S.A. for an estimated price of 630 million euro, without prejudice to the final adjustments of cash, debt and working capital at the date of concluding the transaction.

This resolution was approved by a majority of 99.87% of the voting capital present and represented.

#### ITEM FIVE ON THE AGENDA

- To approve an extraordinary dividend, payable in cash against unappropriated reserves, of 0.60 euro per share outstanding (in addition to the ordinary dividend), payable in 4 payments of 0.15 euro each. The first two payments will be made during 2010, on 1 October and 23 December, coinciding with the dates of the last two

ordinary dividend payments; and the following two payments will be made on 4 April and 4 July 2011. This dividend includes the proportional allocation that would correspond to the shares held as treasury stock.

The effectiveness of this resolution and, therefore, payment of the extraordinary dividend, is subject to fulfilment of the condition precedent that the sale of the dairy business ratified by the General Meeting under item four on the agenda is completed.

To further authorise the Board to postpone the dates initially scheduled for the four payments if necessary, owing to a delay in completion of the sale.

This resolution was approved by a majority of 99.88% of the voting capital present and represented.

#### ITEM SIX ON THE AGENDA

- To authorise the Board to buy back own shares and authorise subsidiaries to acquire shares in the parent company, by purchase or under any other title for a consideration, on one or several occasions, subject to the conditions established in law.

- The par value of the shares acquired directly or indirectly, when added to those already held by the company or its subsidiaries, shall not exceed 10% of the subscribed capital.

- As a result of the acquisition, including any shares which the company, or the person acting in its own name but for the company's account, has purchased earlier and holds as treasury stock, the equity does not fall below the amount of the capital plus legal reserves or any undistributable reserves established in the bylaws. For this purpose, equity shall be the amount recorded as such according to the principles applied when drawing up the annual accounts, less the amount of profit attributed directly to equity, plus the amount of uncalled subscribed capital and the par value and share premiums of subscribed capital recorded under liabilities.

- The shares acquired shall be fully paid up.

- The minimum and maximum price or consideration for the acquisition shall be, respectively, equivalent to the par value of the own shares purchased and to their price on an official secondary market at the time of purchase.

By virtue of this authorisation, the Board may, by direct resolution or by delegation to the Executive Committee or to such person or persons as the Board may authorise for this purpose, buy back own shares to hold them as treasury stock, dispose of them or, as the case may be, propose their redemption to the General Meeting, within the limits established in law and in fulfilment of the conditions stipulated in this resolution. This authorisation is also extended to the possibility of acquiring own shares to be delivered directly to employees or executives of the company or its group, on one or several occasions, upon exercise of any stock options they may hold, pursuant to section 75.1.1, paragraph 3 of the Corporations Act.

The authorisation contemplated in this resolution is granted for no more than five years from the date of this Annual General Meeting and covers all treasury stock transactions made on the terms stipulated herein, without having to be reiterated for each purchase or acquisition, and all transfers to or earmarking of reserves made in pursuance of the applicable laws.

When any acquisition is made by virtue of this authorisation, the directors will especially ensure that the conditions established at this general meeting and the requirements stipulated in the applicable laws are met.

The authorisation granted to the Board to buy back own shares approved at the Annual General Meeting held on 29 April 2009, was rendered null and void, without prejudice to the full execution of any resolutions adopted prior to this General Meeting.

- To reduce the capital to redeem the company shares acquired by the company or other companies in its Group, against the capital (for the par value) and unappropriated reserves (for the amount of the acquisition in excess of such par value), by such amounts as may be deemed fit from time to time, up to the maximum number of own shares held from time to time.

- To delegate to the Board the power to execute this resolution to reduce the capital, on one or several occasions, or to render it null and void, within a period not exceeding 5 years from the date of this AGM, doing whatsoever may be required by law for this purpose.

The Board was especially authorised, within the times and limits established in this resolution, to: (i) reduce the capital or otherwise, establishing the specific date or dates of the operations, as the case may be, taking account of any internal and external factors affecting the decision; (ii) state in each case the amount of the reduction of capital; (iii) specify the application of the amount of the reduction of capital, allocating it either to an undistributable reserve or to unappropriated reserves, complying as appropriate with the guarantees and other requirements stipulated in law; (iv) adapt Articles 6 and 7 of the Articles of Association in each case to reflect the new amount of capital and the new number of shares; (v) apply in each case for delisting of the redeemed shares; and (vi) in general, adopt such resolutions as may be deemed fit to redeem the shares and reduce the capital accordingly, appointing individuals to do whatsoever may be necessary.

These resolutions were approved by a majority of 98.84% of the voting capital present and represented

#### ITEM SEVEN ON THE AGENDA

- To expressly authorise the Board, with the fullest powers necessary, to make one or several financial contributions to Fundación Ebro Puleva over forthcoming years, up to and not exceeding the sum of five hundred thousand euro (500,000 €), without prejudice to similar authorisations granted by the General Meeting in previous years for the Board to donate funds to Fundación Ebro Puleva.

This resolution was approved by a majority of 99.93% of the voting capital present and represented.

#### ITEM EIGHT ON THE AGENDA

- To approve the alteration of Article 1 ("Name").

This resolution was approved by a majority of 93.28% of the voting capital present and represented.

- To approve the alteration of the following articles: Article 9 ("General Meeting"); Article 11 ("Quorum"); Article 12 ("Quorum. Special Cases"); Article 17 ("Presiding board. Information, discussion and voting. Distance voting and proxies").

This resolution was approved by a majority of 93.28% of the voting capital present and represented.

- To approve the alteration of Article 22 ("Directors' Emoluments").

This resolution was approved by a majority of 93.28% of the voting capital present and represented.

- To approve the alteration of the following articles: Article 30 ("Annual Accounts"); Article 31 ("Contents of the Annual Accounts"); Article 32 ("Directors' Report").

This resolution was approved by a majority of 93.28% of the voting capital present and represented.

- To approve the alteration of the following articles: Article 36 ("Conversion, merger, division and global transfer of assets and liabilities"); Article 37 ("Winding-Up"); and Article 38 ("Liquidation").

This resolution was approved by a majority of 93.28% of the voting capital present and represented.

This alteration of the articles indicated was agreed subject to a written report by the directors justifying the proposed alterations, approved at the Board meeting on 28 April 2010, which was available for consultation by shareholders as from the date of call and was included in the documents delivered to them at the General Meeting.

The modified articles had the new text set out in the aforesaid directors' report.

- To approve the recasting in a single text of the different alterations made to the Bylaws such that they will be incorporated in a single public instrument.

This resolution was approved by a majority of 93.28% of the voting capital present and represented.

The recast text of the Bylaws was available for consultation by shareholders as from the date of call and was included in the documents delivered to them at the General Meeting.

#### ITEM NINE ON THE AGENDA

- To approve the alteration of the following articles of the Regulations of the General Meeting of Ebro Puleva, S.A.: Article 2 ("Powers of the General Meeting"); Article 6 ("Shareholders' right to information prior to General Meetings"); Article 8 ("Quorum"); and Article 14 ("Voting and adopting of resolutions").

This resolution was approved by a majority of 93.04% of the voting capital present and represented.

The alteration of the articles indicated was agreed subject to a written report by the directors justifying the proposed alterations, approved at the Board meeting on 28 April 2010 in pursuance of Article 19 of the Regulations of the General Meeting. This report was available for consultation by shareholders from the date of call and was included in the documents delivered to them at the General Meeting.

The modified articles had the new text set out in the aforesaid directors' report.

- To approve the recasting in a single text of the different alterations made to the Regulations of the General Meeting, such that they will be incorporated in a single public instrument.

This resolution was approved by a majority of 93.04% of the voting capital present and represented.

The recast text of the Regulations of the General Meeting was available for consultation by shareholders from the date of call and was included in the documents delivered to them at the General Meeting.

#### ITEM TEN ON THE AGENDA

- To approve the following remunerations of directors during the year ended 31 December 2009:

##### REMUNERATION OF THE BOARD AND OTHER BENEFITS (in thousand euro)

###### REMUNERATION

Expenses and attendance fees: 300  
Share in profits stipulated in Bylaws: 2,332  
Total non-executive directors: 2,632  
Wages, salaries and professional fees: 7,298  
Compensation and other transfer instruments: 0  
Total executive directors: 7,298

TOTAL REMUNERATION 9,930

## OTHER BENEFITS

Life and retirement insurance: 52

This resolution was approved by a majority of 93.41% of the voting capital present and represented.

- To approve the Report on the Directors' Remuneration Policy for 2009 prepared by the Board.

This resolution was approved by a majority of 93.41% of the voting capital present and represented.

- To authorise the Board so that it may, after completing any formalities required by law, establish an Incentive Scheme contemplating, in full or in part, the delivery of shares in the company, as a compulsory or optional alternative to payment in cash, to members of management, directors or otherwise, of the Group and its principal companies, in accordance with the following conditions:

1. The maximum number of company shares that may be included in that Scheme may not exceed 0.5% of the total outstanding shares in the company.
2. The beneficiaries of this Scheme will be selected among the members of management of both the company and its principal subsidiaries, regardless of whether they have an employment relationship or a commercial relationship with the Group.
3. The value of the shares to be delivered will be indexed to the average price over the 100 stock exchange sessions preceding the date of delivery.
4. The shares may be delivered within a minimum of two (2) years and a maximum of five (5) years from the creation of the corresponding Scheme.
5. All other aspects shall be decided by the Board, which shall be authorised to interpret, complete, develop and execute this resolution.

This resolution was approved by a majority of 93.41% of the voting capital present and represented.

## ITEM ELEVEN ON THE AGENDA

- To approve the re-election of Antonio Hernández Callejas (Chairman) as executive director of the company for a period of four years.

This resolution was approved by a majority of 66.24% of the voting capital present and represented.

- To approve the re-election of José Barreiro Seoane (Vice-Chairman) as non-executive independent director of the company for a period of four years.

This resolution was approved by a majority of 98.24% of the voting capital present and represented.

- To approve the re-election of Alimentos y Aceites, S.A. (Member) as non-executive proprietary director of the company for a period of four years.

This resolution was approved by a majority of 98.24% of the voting capital present and represented.

- To approve the re-election of Caja de Ahorros de Salamanca y Soria (Member) as non-executive proprietary director of the company for a period of four years.

This resolution was approved by a majority of 98.24% of the voting capital present and represented.

- To approve the re-election of Jaime Carbó Fernández (Member) as executive director of the company for a period of four years.

This resolution was approved by a majority of 98.24% of the voting capital present and represented.

- To approve the re-election of Fernando Castelló Clemente (Member) as non-executive independent director of the company for a period of four years.

This resolution was approved by a majority of 98.24% of the voting capital present and represented.

- To approve the re-election of José Ignacio Comenge Sánchez-Real (Member) as non-executive independent director of the company for a period of four years.

This resolution was approved by a majority of 98.24% of the voting capital present and represented.

- To approve the re-election of Leopoldo del Pino y Calvo Sotelo (Member) as non-executive proprietary director of the company for a period of four years.

This resolution was approved by a majority of 98.24% of the voting capital present and represented.

- To approve the re-election of Blanca Hernández Rodríguez (Member) as non-executive proprietary director of the company for a period of four years.

This resolution was approved by a majority of 98.24% of the voting capital present and represented.

- To approve the re-election of Eugenio Ruiz-Gálvez Priego (Member) as “other non-executive” director of the company for a period of four years.

This resolution was approved by a majority of 98.24% of the voting capital present and represented.

- To approve the appointment of Demetrio Carceller Arce as non-executive proprietary director of the company for a period of four years.

This resolution was approved by a majority of 98.16% of the voting capital present and represented.

- To approve the appointment of Sol Daurella Comadrán as non-executive independent director of the company for a period of four years.

This resolution was approved by a majority of 98.24% of the voting capital present and represented.

- To approve the appointment of August Oetker as non-executive proprietary director of the company for a period of four years.

This resolution was approved by a majority of 98.24% of the voting capital present and represented.

- To approve the appointment of Instituto Hispánico del Arroz, S.A. as non-executive proprietary director of the company for a period of four years.

This resolution was approved by a majority of 98.24% of the voting capital present and represented.

- To set the number of Board members at fourteen, in accordance with the Corporations Act s. 123 and Article 19 of the Bylaws.

This resolution was approved by a majority of 98.24% of the voting capital present and represented,

#### ITEM TWELVE ON THE AGENDA

- To expressly authorise the Chairman, Secretary and Vice-Secretary of the Board, as extensively as may be required by law, so that any one of them, acting individually and with his/her sole signature, may execute, put on record and give notice of each and all of the resolutions adopted at this General Meeting, supplement, develop and remedy those resolutions, deliver them and secure their full or partial entry in the Trade Register or in any other registers kept by the corresponding public or private institutions, execute and rectify any public or private documents of whatsoever nature and take such other action or actions as may be necessary.



This resolution was approved by a majority of 99.93% of the voting capital present and represented.

E.9. State the number of shares required to attend General Meetings, indicating whether any restrictions are established in the articles of association.

YES

<b>Number of shares required to attend general meeting</b>	100
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E.10. Describe and justify the company's policies on proxy votes at General Meetings.

Proxy votes are regulated in Article 7 of the Regulations of the General Meeting.

Any shareholder entitled to attend may be represented at general meetings by another person. The proxy shall be made in writing especially for each general meeting or, as the case may be, through distance communication means in accordance with the appropriate provisions of these Regulations and especially for each general meeting. This right to representation is without prejudice to the legal provisions established for family representation and the granting of general powers of attorney.

In any case, whether the proxy is voluntary or required by law, no shareholder may have more than one representative at any general meeting.

Proxies may be revoked at any time. Personal attendance at the general meeting by the represented shareholder shall have the effect of revoking the proxy.

In cases of public requests for representation, the document establishing the power of attorney shall contain or annex the agenda, together with the request for instructions to exercise the voting right and indications of how the representative will vote if no specific instructions are issued. Such public request shall be deemed to exist whenever any one person represents more than three shareholders.

The proxy may also include any points which, although not included on the agenda in the notice of call, are likely to be dispatched at the meeting, being so permitted by law.

If there are no voting instructions because the General Meeting is going to resolve on issues which, by law, do not need to be included on the agenda, the representative shall cast the vote howsoever he may consider his principal's interests best favoured.

If the represented shareholder has issued instructions, the representative may only vote otherwise in circumstances of which the shareholder was unaware at the time of issuing the instructions and when the represented shareholder's interests are in jeopardy.

In the last two cases, the proxy shall inform the represented shareholder forthwith, in writing, explaining the reasons for his vote.

E.11. Is the company is aware of the policies of institutional investors regarding their participation or otherwise in company decisions?

NO

E.12. Address and access to the corporate governance contents on the company's web site.

Ebro Foods's corporate web site <http://www.ebrofoods.es> is set up as a vehicle of continuous, up-to-date information for shareholders, investors and the financial market in general.

In this respect, the home page includes a specific section, called "Information for shareholders and investors", which contains all the information required under the applicable legal provisions.

This section includes, pursuant to current legislation, the chapter on Corporate Governance. The specific address of this chapter is:

<http://www.ebrofoods.es/informacion-para-accionistas-e-inversores/gobierno-corporativo/reglamento-de-la-junta-general/> or:  
<http://www.ebrofoods.es/information-for-shareholders-and-investors/corporate-governance/regulations-of-the-general-meeting/>

The Corporate Governance chapter is structured in the following sub-sections:

- Regulations of the General Meeting
- General Meeting of Shareholders
- Shareholders' Agreements
- Board of Directors
- Corporate Governance Report
- Code of Conduct

The contents of this chapter are structured and hierarchical, with a concise, explanatory title, to permit rapid, direct access to each section, in accordance with legal recommendations, at less than three clicks from the home page.

All these sections have been designed and prepared according to the principle of accessibility, aiming to enable fast location and downloading of the required information.

## **F. EXTENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS**

Indicate the degree of compliance by the company with existing corporate governance recommendations. In the event of non-compliance with any recommendations, explain the recommendations, standards, practices or principles applied by the company.

1. The Articles of Association of listed companies should not limit the maximum number of votes that may be cast by an individual shareholder or impose other restrictions hampering takeover of the company via the market acquisition of its shares.

*See sections A.9, B.1.22, B.1.23, E.1 and E.2*

Complies

2. When both the parent company and a subsidiary are listed, they should both publish a document specifying exactly:

- a) The types of activity they are respectively engaged in and any business dealings between them, and between the listed subsidiary and other group companies;
- b) The mechanisms in place to solve any conflicts of interest.

*See sections C.4 and C.7*

Complies

3. Although not expressly required in company law, any operations involving a structural alteration of the company should be submitted to the General Meeting for approval, especially the following:
  - a) Conversion of listed companies into holdings, through spin-off or “subsidiarisation”, i.e. reallocating to subsidiaries of core activities thereunto performed by the company, even though the latter may retain full ownership of its subsidiaries;
  - b) Acquisition or disposal of key operating assets, if this involves an effective alteration of its objects;
  - c) Any operations producing effects equivalent to liquidation of the company.

Complies

4. Detailed proposals of the resolutions to be adopted at a General Meeting, including the information contemplated in Recommendation 28, should be published simultaneously with the notice of call to the General Meeting.

Explanation

The proposed resolution to change the composition of the Board in item eleven of the Agenda was agreed by the Board after publication of the notice of call.

5. Substantially independent items shall be voted separately at General Meetings to enable shareholders to express their preferences separately. This rule is particularly applicable:
  - a) To the appointment or ratification of directors, which should be voted individually;
  - b) In the case of Bylaw alterations, to each article or substantially independent group of articles.

*See section E.8*

Complies

6. Companies should allow split votes, so that financial intermediaries on record as shareholders but acting on behalf of different clients can vote according to the latter's instructions.

*See section E.4*

Complies

7. The Board should perform its duties with unity in proposal and independent criteria, affording all shareholders the same treatment and guided by corporate interests, which shall mean maximising the value of the company over time.  
It shall also ensure that the company complies with the applicable laws and regulations in its relations with stakeholders; fulfils its contracts and obligations in good faith; respects good customs and practice in the sectors and territories in which it operates; and upholds any other social responsibility principles that it may have subscribed to voluntarily.

Complies

8. The Board should undertake, as its principal mission, to approve the company's strategy and the organisation required to put it into practice, and to oversee and ensure that Management meets the targets marked out and respects the objects and corporate interest of the company. For this purpose, the full Board shall approve the following:

- a) General policies and strategies of the Company, particularly:
- i) The strategic or business plan, management objectives and annual budgets;
  - ii) Investment and financing policy;
  - iii) Definition of the structure of the corporate group;
  - iv) Corporate governance policy;
  - v) Corporate social responsibility policy;
  - vi) Policy on the remuneration and performance assessment of senior officers;
  - vii) Risk management and control policy and the regular monitoring of internal information and control systems;
  - viii) The dividend policy and treasury stock policy, particularly regarding limits.

*See sections B.1.10, B.1.13, B.1.14 and D.3*

b) The following decisions:

- i) Upon recommendation by the chief executive, the appointment and possible removal of senior officers, and corresponding severance clauses.

*See section B.1.14*

- ii) Directors' emoluments and, for executive directors, supplementary remuneration for their executive duties and any other terms and conditions to be included in their contracts.

*See section B.1.14*

- iii) The financial information that listed companies are obliged to disclose periodically.
- iv) Any investments or transactions considered strategic by virtue of their amount or special characteristics, unless approval corresponds to the General Meeting;
- v) Creation or acquisition of shares in special purpose vehicles or companies domiciled in countries or territories considered tax havens, and any transactions or operations of a similar nature which could, by virtue of their complex structure, impair the group's transparency.

c) Transactions between the company and its directors, significant shareholders or shareholders with representatives on the Board, or persons related thereto ("related-party transactions").

This authorisation will not be necessary for related-party transactions that meet all of the following three conditions:

1. Made under contracts with standard terms and conditions applied across the board to large numbers of clients;
2. Made at the general prices or rates established by the person supplying the good or service;
3. Made for a sum not exceeding 1% of the company's annual earnings.

The Board is recommended to make approval of related-party transactions dependent on a favourable report by the Audit Committee, or such other committee as may be assigned this duty.

Apart from not exercising or delegating their vote, the affected Directors shall leave the room during the corresponding discussion and voting by the Board.

It is recommended that these competences of the Board be non-delegable, except those contemplated in paragraphs b) and c), which may be adopted by the Executive Committee in an emergency, subject to subsequent ratification by the full Board.

*See sections C.1 and C.6*

Complies

9. The Board should have an adequate size to secure efficient, participative performance of its duties. The recommended size is between five and fifteen members.

*See section B.1.1*

Complies

10. Non-executive proprietary and independent directors should have an ample majority on the board, while the number of executive directors should be kept to a minimum, taking account of their equity ownership and the complexity of the corporate group.

*See sections A.2, A.3, B.1.3 and B.1.14*

Complies

11. If any non-executive director cannot be considered proprietary or independent, the company should explain this circumstance and the director's ties with the company or its executives, or with its shareholders.

*See section B.1.3*

Not applicable

12. Among the non-executive directors, the ratio of proprietary to independent directors should reflect the proportion between capital represented and not represented on the Board.  
This strictly proportional distribution may be relaxed so that proprietary directors have a greater weight than that corresponding to the total percentage of capital they represent:
1. In companies with a high capitalisation with few or no shareholdings considered significant by law, but in which certain shareholders have interests with a high absolute value.
  2. In companies with a plurality of unrelated shareholders represented on the Board.

*See sections B.1.3, A.2 and A.3*

Complies

13. The total number of Independent Directors should represent at least one-third of the total Directors.

*See section B.1.3*

Explanation

There are 4 independent directors, representing 30.769% of the total board members.

The company considers that the composition of the board reflects the composition of the shareholding body and that for the time being it is not necessary to appoint another independent director, owing to the very small difference in respect of the recommended percentage.

14. The Board should explain the nature of each Director at the General Meeting at which an appointment is to be made or ratified. The type of director should be confirmed or altered, as the case may be, in the Annual Corporate Governance Report, following verification by the Nomination Committee. The reasons why Proprietary Directors have been appointed at the request of shareholders with an interest of less than 5% in the capital shall be explained in that Report, as well as the reasons, where appropriate, for not meeting formal requests for presence on the Board from shareholders with an interest equal or greater than others at whose request proprietary directors have been appointed.

*See sections B.1.3 and B.1.4*

Complies

15. When there are few or no female directors, the Board should explain the reasons for this situation and the steps taken to correct it. In particular, when vacancies arise on the Board, the Nomination Committee should ensure that:
- a) There is no hidden bias against women candidates in the selection procedures;
  - b) The company makes a conscious effort to include women with the target profile among the candidates.

*See sections B.1.2, B.1.27 and B.2.3*

#### Explanation

Board members are appointed regardless of candidates' sex, so there is no positive or negative discrimination of any nature in the election of directors.

María Blanca Hernández Rodríguez was appointed director in 2006 and Sol Daurella Comadrán in 2010.

16. The Chairman, being responsible for the effective operation of the Board, should make sure that directors receive sufficient information in advance; stimulate debate and active participation by directors at all Board meetings, protecting their free stand and expression of opinion on any issues; and organise and coordinate periodic assessment of the Board, and the Managing Director or CEO, if any, with the chairmen of the principal committees.

*See section B.1.42*

#### Complies

17. When the Chairman of the Board is also the chief executive officer of the company, one of the Independent Directors should be authorised to request the calling of a Board meeting or the inclusion of new items on the agenda; coordinate and express the concerns of the Non-Executive Directors; and direct the assessment by the Board of its Chairman.

*See section B.1.21*

#### Complies

18. The Secretary of the Board should especially ensure that the Board's actions:
- a) Conform to the text and spirit of the laws and regulations, including those adopted by the market watchdogs;
  - b) Conform to the company's Articles of Association and the Regulations of the General Meeting, the Board and any other internal regulations of the Company;
  - c) Take account of the good governance recommendations contained in this Unified Code endorsed by the company.

To guarantee the independence, impartiality and professionalism of the Secretary, his/her appointment and removal should require a report by the Nomination Committee and approval by the full Board; and the procedure for appointment and removal should be set down in the Regulations of the Board.

*See section B.1.34*

#### Complies

19. The Board should meet as often as may be necessary to secure efficient performance of its duties, following the calendar and business established at the beginning of the year, although any director may propose other items not initially contemplated to be included on the agenda.

*See section B.1.29*

Complies

20. Non-attendance of Board meetings should be limited to inevitable cases and stated in the Annual Corporate Governance Report. If a director is forced to grant a proxy for any Board meeting, the appropriate instructions shall be issued.

*See sections B.1.28 and B.1.30*

Complies

21. When the Directors or the Secretary express concern over a proposal, or, in the case of Directors, the company's performance, those concerns should be put on record, at the request of those expressing them.

Complies

22. The full Board should assess once a year:

- a) The quality and effectiveness of the Board's actions;
- b) Based on the report issued by the Nomination Committee, the performance by the Chairman of the Board and Chief Executive Officer of their respective duties;
- c) The performance of its Committees, based on the reports issued by each one.

*See section B.1.19*

Complies

23. All the Directors should be entitled to obtain such supplementary information as they may consider necessary on business within the competence of the Board. Save otherwise stipulated in the Articles of Association or Board Regulations, their requests should be addressed to the Chairman or Secretary of the Board.

*See section B.1.42*

Complies

24. All Directors should be entitled to call on the company for specific guidance in the performance of their duties, and the company should provide adequate means for exercising this right, which in special circumstances may include external assistance, at the company's expense.

*See section B.1.41*

Complies

25. Companies should establish an induction programme to give new Directors a rapid, sufficient insight into the company and its rules on corporate governance. Directors should also be offered refresher courses in the appropriate circumstances.

Complies

26. Companies should require Directors to devote the necessary time and efforts to perform their duties efficiently. Accordingly:

- a) Directors should inform the Nomination Committee of any other professional obligations they may have, in case they may interfere with the required dedication;
- b) Companies should limit the number of directorships that its Directors may hold.

*See sections B.1.8, B.1.9 and B.1.17*

Complies

27. Proposals for the appointment or re-appointment of directors submitted by the Board to the General Meeting and the provisional appointment of directors by cooptation should be approved by the Board:
- At the proposal of the Nomination Committee, in the case of Independent directors.
  - Subject to a report by the Nomination Committee for other directors.

*See section B.1.2*

Complies

28. Companies should publish on their web sites and regularly update the following information on their directors:
- Professional and biographical profile;
  - Other directorships held, in listed or unlisted companies;
  - Type of director, indicating in the case of proprietary directors the shareholders they represent or are related with.
  - Date of first and subsequent appointments as company director; and
  - Company shares and stock options held.

Partial Compliance

This Recommendation is followed in all sections except b).

29. Independent directors should not remain on the Board as such for more than 12 years in succession.

*See section B.1.2*

Complies

30. Proprietary directors should resign when the shareholder they represent disposes of its entire shareholding in the company. They should also resign in the corresponding number when the shareholder disposes of part of its shares to an extent requiring a reduction in the number of proprietary directors.

*See sections A.2, A.3 and B.1.2*

Complies

31. The Board should not propose the removal of any independent director before the end of the period for which he or she was appointed, unless there are just grounds for doing so, as appreciated by the Board subject to a report by the Nomination Committee. Just grounds are deemed to exist when the director has acted in breach of his duties or when he or she falls into any of the circumstances described in point III.5, definitions, of this Code.

The removal of independent directors may also be proposed as a result of takeover bids, mergers or similar corporate operations producing a change in the capital structure of the company, whenever those changes in the structure of the Board correspond to the principle of proportionality established in Recommendation 12.

*See sections B.1.2, B.1.5 and B.1.26*



Complies

32. Companies should establish rules obliging directors to report and, if necessary, resign in any cases that may jeopardise the company's reputation. In particular, directors should be obliged to inform the Board of any criminal proceedings brought against them and the subsequent development of the proceedings.
- If a director is tried for any of the offences contemplated in section 124 of the Corporations Act, the Board should study the case as soon as possible and, in view of the specific circumstances, decide whether or not the director should remain in office. A reasoned account should be included in the Annual Corporate Governance Report.

*See sections B.1.43 and B.1.44*

Complies

33. All the directors should clearly express their opposition whenever they consider that any proposed decision submitted to the Board may go against corporate interests. The independent and other directors not affected by the potential conflict of interest should also do so when the decisions may be detrimental to shareholders not represented on the Board.
- And when the Board adopts significant or reiterated decisions regarding which a director has expressed serious reservations, the latter should reach the appropriate conclusions and, if he or she opts to resign, explain the reasons in the letter contemplated in the following recommendation.
- This recommendation also affects the Secretary of the Board, even if he or she is not a director.

Complies

34. If a director resigns or retires from office on whatsoever other grounds before the end of his or her term of office, he or she should explain the reasons in a letter sent to all the Board members. Regardless of whether the retirement is announced as a significant event, the reason shall be indicated in the Annual Corporate Governance Report.

*See section B.1.5*

Not applicable

35. The remuneration policy approved by the Board should regulate at least the following aspects:
- a) Amount of fixed items, specifying the amount of attendance fees, if any, for Board and Committee meetings and estimating the fixed remuneration for the year;
  - b) Variable pay items, including, in particular:
    - i) Types of director to which they are applicable and an explanation of the relative weight of the variable pay items to the fixed items;
    - ii) Criteria for assessment of results on which any right to remuneration in shares, stock options or any other variable component is based;
    - iii) Essential parameters and basis for any system of annual bonus payments or other non-cash benefits; and
    - iv) An estimate of the aggregate sum of variable remunerations deriving from the proposed remuneration plan, according to the degree of fulfilment of the reference hypotheses or objectives.
  - c) Principal terms of the welfare schemes (e.g. supplementary pensions, life assurance and similar), estimating the amount or equivalent annual cost.

- d) Conditions to be respected in top management and executive director contracts, including:
- i) Term;
  - ii) Notice; and
  - iii) Any other clauses concerning golden hellos or golden parachutes for early termination of the contractual relationship between the company and the executive director.

*See section B.1.15*

Complies

36. Remunerations in the form of shares in the company or group companies, stock options or instruments linked to the value of the share and any variable remuneration linked to the company's performance or welfare schemes should be limited to executive directors.

This recommendation shall not be applicable to the delivery of shares when subject to the condition that the directors keep them up to their retirement from the Board.

*See sections A.3 and B.1.3*

Complies

37. The remuneration of non-executive directors should be sufficient to remunerate their dedication, qualifications and responsibilities, but not so high as to compromise their independence.

Complies

38. Earnings-linked remuneration should take account of any qualifications in the external auditor's report that may reduce such earnings.

Not Applicable

39. In the case of variable remuneration, the pay policies should establish such precautions as may be necessary to ensure that such remuneration is related to the professional performance of its beneficiaries, not merely deriving from general trends on the markets or in the company's sector of business or other similar circumstances.

Complies

40. The Board should submit to an advisory vote at the General Shareholders' Meeting, as a separate item on the agenda, a report on the directors' remuneration policy. This report should be made available to shareholders, as a separate document or in whatsoever other form the company may deem fit.

The report should focus especially on the remuneration policy approved by the Board for the current year and that established, if any, for future years. It shall address all the issues contemplated in Recommendation 35, except those points that could entail disclosure of commercially sensitive information. It shall stress the most significant changes in such policies in respect of that applied during the previous year to which the General Meeting refers. It shall also include a global summary of implementation of the remuneration policy in the previous year.

The Board should also inform on the role played by the Remuneration Committee in defining the remuneration policy and, if external assistance has been used, the identity of the external advisers who provided such assistance.

*See section B.1.16*

Complies

41. The individual remunerations of directors during the year shall be disclosed in the Annual Report, including the following details:
- a) Breakdown of the remuneration of each director, including, where applicable:
    - i) Attendance fees and other fixed sums payable to directors;
    - ii) Additional compensation for being Chairman or member of one of the Committees of the Board;
    - iii) Payments made under profit-sharing or bonus schemes and the reasons for their accrual;
    - iv) Contributions on behalf of the director to defined-contribution pension schemes; or increase in the director's vested rights in contributions to defined-benefit schemes;
    - v) Any indemnities agreed or paid upon termination of their duties;
    - vi) Compensation received as director of other group companies;
    - vii) Remuneration received by executive directors as payment for their senior management duties;
    - viii) Any sums paid other than those listed above, regardless of the nature or the group company paying them, especially when it may be considered a related-party transaction or omission would distort the true and fair view of the total remuneration received by the director.
  - b) Breakdown for each director of any deliveries of shares, stock options or whatsoever other instrument linked to the value of the company's share, specifying:
    - i) Number of shares or options granted during the year and conditions for exercising the options;
    - ii) Number of options exercised during the year, indicating the corresponding number of shares and the exercise price;
    - iii) Number of options pending exercise at year end, indicating their price, date and other conditions for exercise;
    - iv) Any modification during the year of the conditions for exercising options granted earlier.
  - c) Information on the ratio during the previous year of remuneration received by the executive directors and the company's profits or any other measure of its earnings.

Complies

42. When there is an Executive Committee, the balance between the different types of director should roughly mirror that of the Board. The Secretary of the Board should be Secretary of the Executive Committee.

*See sections B.2.1 and B.2.6*

Complies

43. The Board should be informed at all times of the business transacted and decisions made by the Executive Committee and all Board members should receive a copy of the minutes of Executive Committee meetings.

Complies

44. In addition to the Audit Committee which is mandatory under the Securities Market Act, the Board shall set up a Nomination and Remuneration Committee, or two separate Committees.  
The rules on composition and procedure of the Audit Committee and the Nomination and Remuneration Committee or Committees should be set out in the Regulations of the Board, including the following:

- a) The Board should appoint the members of these Committees, taking account of the directors' knowledge, expertise and experience and the duties corresponding to each Committee and discuss their proposals and reports. The Committees should report to the Board on their actions at the first full Board meeting after each Committee meeting, being accountable for the work done.
- b) These Committees should have a minimum of three members, who should be exclusively Non-Executive Directors. This notwithstanding, Executive Directors or senior officers may attend their meetings when expressly so decided by the Committee members.
- c) The Committees should be chaired by Independent Directors.
- d) They may obtain external assistance whenever this is considered necessary for the performance of their duties.
- e) Minutes should be issued of Committee meetings and a copy sent to all members of the Board.

*See sections B.2.1 and B.2.3*

Complies

45. The Audit Committee, Nomination Committee or, if separate, the Compliance or Corporate Governance Committee(s) should be responsible for overseeing compliance with internal codes of conduct and corporate governance rules and regulations.

Complies

46. All members of the Audit Committee, particularly its Chairman, should be appointed in view of their knowledge of and experience in accounting, auditing or risk management.

Complies

47. Listed companies should have an internal audit department, supervised by the Audit Committee, to guarantee the effectiveness and efficiency of the internal reporting and control systems.

Complies

48. The chief audit officer should submit an annual work programme to the Audit Committee, reporting directly on any irregularities arising during its implementation and submitting an activity report at each year end.

Complies

49. The risk management and control policy should define at least:
- a) The different types of risk (operating, technological, financial, legal, reputational...) to which the company is exposed, including under financial or economic risks any contingent liabilities or other off-balance-sheet exposure;
  - b) The level of risk that the company considers acceptable;
  - c) The measures envisaged to soften the effects of the risks identified, should they materialise;
  - d) The internal reporting and control systems to be used to control and manage those risks, including contingent liabilities or off-balance-sheet risks.

*See section D*

Complies

50. The Audit Committee should:

1. In connection with the internal reporting and control systems:
  - a) Supervise the preparation and integrity of the financial information on the company and, where appropriate, the group, checking for compliance with applicable legal provisions, adequate definition of the consolidated group and correct application of accounting standards.
  - b) Check internal control and risk management systems on a regular basis to ensure that the principal risks are adequately identified, managed and disclosed.
  - c) Oversee the independence and effectiveness of the internal audit department; propose the nomination, appointment, reappointment and removal of the chief audit officer; propose the budget for this department; receive periodical information on its activities; and check that the top management heeds the conclusions and recommendations set out in its reports.
  - d) Establish and supervise a “whistle-blowing” procedure so employees can confidentially and, if considered appropriate, anonymously report any potentially important irregularities they may observe in the company's conduct., especially in financial and accounting aspects.
2. In connection with the external auditor:
  - a) Submit proposals to the Board on the nomination, appointment, reappointment and replacement of the external auditor and its terms of engagement.
  - b) Receive regular information from the external auditor on the audit plan and findings and make sure the senior management acts on its recommendations.
  - c) Guarantee the independence of the external auditor, and for this purpose:
    - i) The company should inform the CNMV as a significant event whenever the auditor is changed, attaching a declaration on any disagreements that may have arisen with the outgoing auditor and their content, if any.
    - ii) The company and the auditor should be ensured to respect all rules and regulations in place regarding the provision of services other than auditing services, limits on concentration of the auditor's services and any other rules established to guarantee the auditors' independence;
    - iii) Investigate the circumstances giving rise to resignation of any external auditor.
  - d) In groups, encourage the auditor of the group to audit the group companies.

*See sections B.1.35, B.2.2, B.2.3 and D.3*

Complies

51. The Audit Committee may call any employee or executive of the company into its meetings, even ordering their appearance without the presence of any other senior officer.

Complies

52. The Audit Committee should report to the Board on the following matters from Recommendation 8 before the latter adopts the corresponding decisions:

- a) The financial information that listed companies are obliged to disclose periodically. The Committee shall ensure that interim financial statements are drawn up under the same accounting principles as the annual statements, requesting a limited external audit if necessary.
- b) Creation or acquisition of shares in special purpose vehicles or companies domiciled in countries or territories which are considered tax havens, and any transactions or operations of a similar nature which could, by virtue of their complex structure, impair the group's transparency.

c) Related-party transactions, unless this prior reporting duty has been assigned to another supervision and control committee.

*See sections B.2.2 and B.2.3*

Complies

53. The Board should endeavour to avoid a qualified auditor's report on the accounts laid before the General Meeting, and in exceptional circumstances when such qualifications exist, both the Chairman of the Audit Committee and the auditors shall clearly explain to the shareholders their content and scope.

*See section B.1.38*

Complies

54. The majority of the members of the Nomination Committee – or Nomination and Remuneration Committee if there is just one – should be independent directors.

*See section B.2.1*

Complies

55. Apart from the duties specified in preceding Recommendations, the Nomination Committee should:

- a) Assess the expertise, knowledge and experience of Board members; define the duties and skills required of candidates to fill vacancies; and determine the time and dedication considered necessary for them to adequately perform their duties.
- b) Study or organise as appropriate the succession of the Chairman or Chief Executive Officer and, if necessary, make recommendations to the Board to secure an orderly, well-planned handover.
- c) Report on any appointments and removals of senior officers proposed by the Chief Executive Officer.
- d) Report to the Board on the gender issues contemplated in Recommendation 14.

*See section B.2.3*

Partial Compliance

All the duties contemplated in this Recommendation correspond to the Nomination and Remuneration Committee except the duty mentioned in d).

The Nomination and Remuneration Committee does not report to the board on the gender issues contemplated in Recommendation 14 of the Code of Good Governance because the company does not make any positive or negative discrimination in the election of directors, who are elected regardless of their sex, as indicated in section B.1.27 and in the explanation to Recommendation 14 of this Report.

56. The Nomination Committee should consult the Chairman and Chief Executive Officer, especially on matters concerning Executive Directors.

Any director may request the Nomination Committee to consider potential candidates they consider suitable to fill vacancies on the Board.

Complies

57. Apart from the duties indicated in the preceding Recommendations, the Remuneration Committee should:

- a) Submit proposals to the Board on:
  - i) The remuneration policy for directors and senior officers;
  - ii) The individual remuneration of executive directors and other terms of contract.
  - iii) The basic conditions of senior executive contracts.
- b) Ensure compliance with the remuneration policy established by the company.

*See sections B.1.14 and B.2.3*

Complies

58. The Remuneration Committee should consult the Chairman and Chief Executive Officer, especially on matters concerning executive directors and senior officers.

Complies

## **G. OTHER INFORMATION OF INTEREST**

If you consider there to be an important principle or aspect regarding the corporate governance practices applied by your company that have not been mentioned in this report, indicate them below and explain the contents.

### EXPLANATORY NOTE ONE, CONCERNING SECTION A.5.

For relations between the Ebro Foods companies and their significant shareholders, see section C.2 of this report.

### EXPLANATORY NOTE TWO, CONCERNING SECTION B.1.4.

No requests for presence on the board were made during 2010 by shareholders with interests equal to or greater than others at whose request, had it been made, proprietary directors would have been appointed.

### EXPLANATORY NOTE THREE, CONCERNING SECTION B.1.7.

María Blanca Hernández Rodríguez is also Chairman of the Board of Trustees of the Ebro Foods Foundation.

### EXPLANATORY NOTE FOUR, CONCERNING SECTION B.1.8.

Leopoldo del Pino y Calvo-Sotelo is not, strictly speaking, director of the listed company Grupo Ferrovial, S.A., but represents the corporate director Portman Baela, S.L.

### EXPLANATORY NOTE FIVE, CONCERNING SECTION B.1.11.

- Explanations concerning paragraphs a) and b) of this section:

Of the total remuneration of the executive directors in 2010 (€3,441 thousand), €437 thousand correspond to early settlement, in one case, of the Deferred Annual Remuneration Scheme under the Ebro Foods Group

Strategic Plan for the period 2010-2012. The company's separate accounts for 2010 also include a provision of €445 thousand estimated for amounts payable under the Deferred Annual Remuneration Scheme corresponding to that year. This amount will be payable in 2012.

The Deferred Annual Remuneration Scheme is not linked to the value of the Ebro Foods share nor implies receipt by the beneficiaries of shares or any other rights thereover.

- Explanations concerning the following pay items and other benefits reflected in section B.1.11:

1. Provisions stipulated in the Articles: share in profits stipulated in Article 22 of the Articles of Association. See section B.1.14 of this Report.
2. Pension Funds and Schemes. Contributions: no Board members are beneficiaries of supplementary life and retirement insurance. The company has not granted any loans or advances to Board members or contracted any obligations on their behalf under guarantees or bonds.

#### EXPLANATORY NOTE SIX, CONCERNING SECTION B.1.12.

Of the total remuneration of executives (excluding Executive Directors) of the Ebro Foods Group included in the Deferred Annual Remuneration Scheme under the Group's Strategic Plan 2010-2011, a total provision of €680 thousand was made in 2010, which will be payable in 2012.

#### EXPLANATORY NOTE SEVEN, CONCERNING SECTION B.1.13.

The contracts of two executives contemplate guarantee clauses in the event of dismissal or takeover, the amount of which exceed the compensation established in the Workers' Statute.

The clauses initially established for other executives are below the compensation established in the Workers' Statute, owing to their accumulated seniority.

#### EXPLANATORY NOTE EIGHT, CONCERNING SECTION B.1.21.

Any of the directors, not only independent directors, may request the calling of a board meeting or inclusion of new items on the agenda.

#### EXPLANATORY NOTE NINE, CONCERNING SECTION B.1.40.

- Antonio Hernández Callejas and María Blanca Hernández Rodríguez hold an indirect interest in Ebro Foods, S.A. through the 15.720% interest held in the company by Instituto Hispánico del Arroz, S.A., directly and through Hispafoods Invest, S.L.

See sections A.3 and C.5 of this Report.

- In relation also to section B.1.8, Antonio Hernández Callejas and Demetrio Carceller Arce each hold a direct interest of 0.001% in SOS Corporación Alimentaria, S.A. acquired in 2011. Both these directors have been on the Board of that company since 20 January 2011.

#### EXPLANATORY NOTE TEN, CONCERNING SECTION B.2.1.

The Audit Committee of Ebro Foods, S.A. is called the Audit and Compliance Committee.

The Nomination Committee of Ebro Foods S.A. is the Nomination and Remuneration Committee.



#### EXPLANATORY NOTE ELEVEN, CONCERNING SECTIONS C.2 AND C.3.

The sections on related-party transactions were completed taking into account the following changes in the composition of the Board and in the companies included in the Ebro Foods Group produced during 2010:

1. The significant shareholder Instituto Hispánico del Arroz, S.A. was appointed director on 1 June and the transactions effected between 1 January and 31 May (both inclusive) are listed below:

- Related-party contractual transaction (purchase of goods, finished or otherwise) with Boost Nutrition, C.V. for €314 thousand.

- Related-party contractual transaction (sale of goods, finished or otherwise) with Boost Nutrition, C.V. for €295 thousand.

- Related-party contractual transaction (receipt of services) with Herba Foods for €25 thousand.

- Related-party contractual transaction (purchase of goods, finished or otherwise) with Herba Ricemills, S.L.U. for €886 thousand.

- Related-party contractual transaction (sale of goods, finished or otherwise) with Herba Ricemills, S.L.U. for €673 thousand.

- Related-party contractual transaction (purchase of goods, finished or otherwise) with S&B Herba Foods, Ltd. for €589 thousand.

- Related-party contractual transaction (sale of goods, finished or otherwise) with S&B Herba Foods, Ltd. for €435 thousand.

2. Caja España de Inversiones left the Board as of 1 June 2010. The related-party transactions effected by this company between 1 January and 31 May (both inclusive) are listed below:

- Related-party contractual transaction (financing arrangements: loans-borrower) with Ebro Foods, S.A. for €34,390 thousand.

3. Caja de Ahorros de Salamanca y Soria left the Board as of 22 September. The related-party transactions effected by this company between 1 January and 21 September 2010 (both inclusive) are listed below:

- Related-party contractual transaction (financing arrangements: loans-borrower) with Ebro Foods, S.A. for €51,203 thousand.

4. Juan Domingo Ortega Martínez left the Board as of 1 June 2010. The related-party transactions effected between 1 January and 31 May (both inclusive) are listed below:

- Related-party contractual transaction (sale of goods, finished or otherwise) with Puleva Food, S.L.U. for €1,760 thousand.

Puleva Food, S.L. was sold on 2 September 2010, so only those related-party transactions with that company effected between 1 January and 1 September 2010 are included.

In addition to the related-party transaction with Juan Domingo Ortega Martínez, Puleva Food made a related-party contractual transaction (sale of goods, finished or otherwise) with Sociedad Anónima Damm for €325 thousand.

EXPLANATORY NOTE TWELVE, CONCERNING SECTION C.5.

Potential conflicts of interest are described in section C.5 of this Report.

This section may be used to include any other information, clarification or qualification relating to the previous sections of the report, provided it is relevant and not repetitive.

In particular, state whether the company is subject to any laws other than the laws of Spain on corporate governance and, if this is the case, include whatever information the company may be obliged to supply that differs from the information included in this report.

Binding definition of independent director:

State whether any of the independent directors have or have had any relationship with the company, its significant shareholders or its executives which, if sufficiently large or significant, would have disqualified the director from being considered independent pursuant to the definition set out in section 5 of the Unified Code of Good Governance.

NO

Date and signature:

This annual corporate governance report was approved by the Board of Directors of the company on

30/03/2011.

State whether any directors voted against approval of this Report or abstained in the corresponding vote.

NO



## Auditors' Report>>>>

FINANCIAL REPORT 2010

EBRO FOODS, S.A. (formerly Ebro Puleva, S.A.)  
Auditors' Report on Consolidated Financial Statements  
for the year ended 31 December 2010.

*Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 32). In the event of a discrepancy, the Spanish-language version prevails.*

## AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

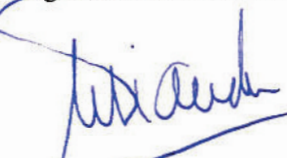
To the Shareholders of  
Ebro Foods, S.A. and Subsidiaries:

We have audited the consolidated financial statements of Ebro Foods, S.A. (the Parent) and Subsidiaries (the Group), which comprise the consolidated balance sheet at 31 December 2010 and the related consolidated income statement, consolidated statement of changes in equity, consolidated statement of comprehensive income, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended. As indicated in Note 2-a to the accompanying consolidated financial statements, the Parent's directors are responsible for the preparation of the Group's consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.

In our opinion, the accompanying consolidated financial statements for 2010 present fairly, in all material respects, the consolidated equity and consolidated financial position Ebro Foods, S.A. and Subsidiaries at 31 December 2010, and the consolidated results of their operations and their consolidated cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group.

The accompanying consolidated directors' report for 2010 contains the explanations which the Parent's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2010. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Ebro Foods, S.A. and Subsidiaries.

DELOITTE, S.L.  
Registered in ROAC under no. S0692



Miguel Fiandor Román

1 April 2011



Consolidated Financial Statements  
and Directors' Report>>>>

EBRO FOODS, S.A. (formerly Ebro Puleva, S.A.)  
Consolidated Financial Statements and Directors' Report  
for the year ended 31 December 2010.



**Ebro Foods Consolidated Group**  
Consolidated balance sheets at 31 December 2010 and 2009

(Thousand of euro)	Notes	12-31-10	12-31-09
<b>Non-current assets</b>			
Activos intangibles	9	293,461	295,522
Property, plant and equipment	10	449,594	544,729
Investment property	11	31,252	32,152
Financial assets	12	111,924	37,898
Investments in associates	13	3,097	6,786
Deferred tax assets	25	64,154	52,412
Goodwill	14	767,211	801,686
Other current assets		0	0
		<b>1,720,693</b>	<b>1,771,185</b>
<b>Current assets</b>			
Inventories	15	260,438	277,528
Trade and other receivables	16	282,976	341,682
Current income tax	25	3,222	28,650
Tax receivables	25	33,563	36,715
Financial assets	12	22,858	24,331
Derivatives and other financial instruments	28	129	203
Other current assets		5,444	4,241
Cash	17	555,707	199,930
		<b>1,164,337</b>	<b>913,280</b>
Non-current assets held for sale		0	0
<b>Total assets</b>		<b>2,885,030</b>	<b>2,684,465</b>
<b>Equity</b>			
<b>Equity attributable to the shareholders of the Parent</b>			
Share capital	18	92,319	92,319
Share premium	18	4	4
Restricted reserves	18	21,633	21,633
Unrestricted reserves (accumulated profit)	18	1,501,825	1,229,166
Translation differences	18	(23,038)	(55,073)
Treasury shares	18	0	(7,727)
		<b>1,592,743</b>	<b>1,280,322</b>
<b>Non-controlling interests</b>		<b>14,703</b>	<b>17,838</b>
<b>Non-current liabilities</b>			
Deferred income	19	5,866	14,793
Provisions for pensions and similar obligations	20	32,230	40,953
Other provisions	21	87,591	73,784
Financial liabilities	22	354,031	521,520
Other non-financial payables	23	66	61
Deferred tax liabilities	25	193,755	144,839
		<b>673,539</b>	<b>795,950</b>
<b>Current liabilities</b>			
Financial liabilities	22	219,441	235,281
Derivatives and other financial instruments	28	161	350
Trade and other payables	24	352,463	324,788
Current income tax	25	8,584	3,443
Tax payables	25	16,251	13,687
Other current liabilities		7,145	12,806
		<b>604,045</b>	<b>590,355</b>
Non-current liabilities held for sale		0	0
<b>Total liabilities</b>		<b>2,885,030</b>	<b>2,684,465</b>

The accompanying Notes 1 to 32 are an integral part of the consolidated balance sheet at 31 December 2010.

**Ebro Foods Consolidated Group**  
 Consolidated income statements for the years ended 31 December 2010 and 2009

(Thousand of euro)	Notes	12-31-10	12-31-09
Income (revenue)	6	1,702,023	1,765,397
Change in inventories of finished goods and work in progress		(4,902)	(31,565)
In-house work capitalised		959	193
Other operating income	8	34,408	38,381
Cost of material used and other external expenses	6	(831,438)	(909,278)
Staff costs	8	(243,843)	(225,600)
Depreciation and amortisation charge	9, 10 and 11	(58,629)	(53,158)
Other operating expenses	8	(397,541)	(409,329)
<b>Profit from operations</b>		<b>201,037</b>	<b>175,041</b>
Finance income	8	21,870	22,861
Finance expenses	8	(31,128)	(44,654)
Impairment losses for goodwill	14	(177)	(28,138)
Share of results in associates	13	1,760	(674)
<b>Consolidated profit before tax</b>		<b>193,362</b>	<b>124,436</b>
Income tax	25	(63,945)	(31,156)
<b>Consolidated profit (continuing operations)</b>		<b>129,417</b>	<b>93,280</b>
Net profit from discontinued operations	7	259,525	79,543
<b>Consolidated profit for the year</b>		<b>388,942</b>	<b>172,823</b>
<b>Attributable to:</b>			
<b>Shareholders of the Parent</b>		<b>388,797</b>	<b>176,539</b>
Non-controlling interests		145	(3,716)
		<b>388,942</b>	<b>172,823</b>

	Notes	12-31-10	12-31-09
<b>Earnings per share (euros):</b>	18		
<b>From continuing operations</b>			
Basic		0,843	0,642
Diluted		0,843	0,642
<b>Of total profit</b>			
Basic		2,535	1,169
Diluted		2,535	1,169

The accompanying Notes 1 to 32 are an integral part of the consolidated income statement for the year ended 31 December 2010.

## Ebro Foods Consolidated Group

### Consolidated statements of comprehensive income for the years ended 31 December 2010 and 2009

(Thousand of euro)	Notes	12-31-10	12-31-09
Gains (losses) on measurement of available-for-sale financial assets	12	51,548	(51)
Translation differences		32,035	2,375
Translation differences reversed to profit or loss for the year		0	0
Actuarial gains and losses		(1,141)	(1,883)
Tax effect of items recognised against, or transferred from, equity		(15,012)	694
<b>Net profit (loss) recognised in equity</b>		<b>67,430</b>	<b>1,135</b>
<b>Net profit for the year</b>		<b>388,942</b>	<b>172,823</b>
<b>Total recognised income and expense in the year</b>	18	<b>456,372</b>	<b>173,958</b>
<b>Attributable to:</b>			
<b>Shareholders of the Parent</b>	18	456,227	177,732
<b>Non-controlling interests</b>	18	145	(3,774)
		<b>456,372</b>	<b>173,958</b>

The accompanying Notes 1 to 32 are an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2010.



## Ebro Foods Consolidated Group

Consolidated statements of changes in equity for the years ended 31 December 2010 and 2009. (Thousand of euro)

### EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT

	Equity	Non-controlling interests	Total	Share capital	Share premium	Restricted reserves		Unrestricted reserves		Translation differences	Treasury Shares
						Revaluation reserve	Legal reserve	Accumulated profits	Profit of Loss		
<b>Balance at 31 December 2008</b>	<b>1,228,686</b>	<b>25,555</b>	<b>1,203,131</b>	<b>92,319</b>	<b>34,333</b>	<b>3,169</b>	<b>18,464</b>	<b>1,043,746</b>	<b>130,637</b>	<b>(57,506)</b>	<b>(62,031)</b>
Appropriation of profit for 2008	0	0	0	0	0	0	0	130,637	(130,637)	0	0
Dividends paid	(112,883)	(2,100)	(110,783)	0	0	0	0	(110,783)	0	0	0
Purchase/sale of treasury shares (net)	11,507	0	11,507	0	0	0	0	0	0	0	11,507
Gains and losses on sales of treasury shares	(1,149)	0	(1,149)	0	0	0	0	(1,149)	0	0	0
Changes in the scope of consolidation	(1,843)	(1,843)	0	0	0	0	0	0	0	0	0
Other changes	(116)	0	(116)	0	(34,329)	0	0	(8,584)	0	0	42,797
<b>Total appropriation of profit and transactions with shareholders</b>	<b>(104,484)</b>	<b>(3,943)</b>	<b>(100,541)</b>	<b>0</b>	<b>(34,329)</b>	<b>0</b>	<b>0</b>	<b>10,121</b>	<b>(130,637)</b>	<b>0</b>	<b>54,304</b>
Net profit for 2009 (profit or loss)	172,823	(3,716)	176,539)	0	0	0	0	0	176,539	0	0
Changes in translation differences	2,375	(58)	2,433	0	0	0	0	0	0	2,433	0
Fair value of financial instruments:	0										
1. Unrealised gains	(51)	0	(51)	0	0	0	0	(51)	0	0	0
2. Realised gains/losses	0	0	0	0	0	0	0	0	0	0	0
Change due to actuarial gains or losses	(1,883)	0	(1,883)	0	0	0	0	(1,883)	0	0	0
Tax effect of gains and losses recognised in equity	694	0	694	0	0	0	0	694	0	0	0
<b>Total profit for the year</b>	<b>173,958</b>	<b>(3,774)</b>	<b>177,732</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,240)</b>	<b>176,539</b>	<b>2,433</b>	<b>0</b>
<b>Balance at 31 December 2009</b>	<b>1,298,160</b>	<b>17,838</b>	<b>1,280,322</b>	<b>92,319</b>	<b>4</b>	<b>3,169</b>	<b>18,464</b>	<b>1,052,627</b>	<b>176,539</b>	<b>(55,073)</b>	<b>(7,727)</b>
Appropriation of profit for 2009	0	0	0	0	0	0	0	176,539)	(176,539)	0	0
Dividends paid	(155,631)	(1,897)	(153,734)	0	0	0	0	(153,734)	0	0	0
Purchase/sale of treasury shares (net)	7,727	0	7,727	0	0	0	0	0	0	0	7,727
Gains and losses on sales of treasury shares	2,201	0	2,201	0	0	0	0	2,201	0	0	0
Changes in the scope of consolidation	(1,383)	(1,383)	0	0	0	0	0	0	0	0	0
<b>Total appropriation of profit and transactions with shareholders</b>	<b>(147,086)</b>	<b>(3,280)</b>	<b>(143,806)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>25,006</b>	<b>(176,539)</b>	<b>0</b>	<b>7,727</b>
Net profit for 2010 (profit or loss)	388,942	145	388,797	0	0	0	0	0	388,797	0	0
Change in translation differences	32,035	0	32,035	0	0	0	0	0	0	32,035	0
Fair value of financial instruments:	0										
1. Unrealised gains	51,548	0	51,548	0	0	0	0	51,548	0	0	0
2. Realised gains/losses	0	0	0	0	0	0	0	0	0	0	0
Change due to actuarial gains and losses	(1,141)	0	(1,141)	0	0	0	0	(1,141)	0	0	0
Tax effect of gains and losses recognised in equity	(15,012)	0	(15,012)	0	0	0	0	(15,012)	0	0	0
<b>Total profit for the year</b>	<b>456,372</b>	<b>145</b>	<b>456,227</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>35,395</b>	<b>388,797</b>	<b>32,035</b>	<b>0</b>
<b>Balance at 31 December 2010</b>	<b>1,607,446</b>	<b>14,703</b>	<b>1,592,743</b>	<b>92,319</b>	<b>4</b>	<b>3,169</b>	<b>18,464</b>	<b>1,113,028</b>	<b>388,797</b>	<b>(23,038)</b>	<b>0</b>

The accompanying Notes 1 to 32 are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2010.

## Ebro Foods Consolidated Group

### Consolidated statements of cash flows for the years ended 31 December 2010 and 2009

(Thousand of euro)	2010	2009
Proceeds from sales and services	2,296,733	2,561,509
Payments to suppliers and employees	(1,985,678)	(2,233,182)
Interest paid	(10,165)	(26,939)
Interest received	5,820	3,077
Dividends received	1,882	1,852
Other collections/payments in operating activities	12,620	17,101
Income taxes paid	(121,722)	(77,610)
<b>Total net cash flows from operating activities</b>	<b>199,490</b>	<b>245,808</b>
Investments in non-current assets	(69,617)	(87,571)
Disposals of non-current assets	17,132	14,422
Investments in financial assets	(47,760)	(2,658)
Disposals of financial assets	627,218	356,182
Other proceeds/payments relating to investing activities	4,153	18,250
<b>Total net cash flows from investing activities</b>	<b>531,126</b>	<b>298,625</b>
Treasury share transactions	9,928	9,441
Dividends paid to shareholders	(105,328)	(110,483)
Bank borrowing drawdowns	55,932	12,371
Repayment of bank borrowings	(346,710)	(378,672)
Other financial collections/payments and grants related to assets	1,837	922
<b>Total net cash flows from financing activities</b>	<b>(384,341)</b>	<b>(466,421)</b>
Translation differences on cash flows from foreign operations	(533)	(739)
<b>INCREASE (DECREASE) in cash and cash equivalents</b>	<b>345,742</b>	<b>77,273</b>
Cash and cash equivalents at beginning of year	199,930	122,390
Effect of year-end exchange rate on beginning balance	10,035	267
<b>Cash and cash equivalents at end of year</b>	<b>555,707</b>	<b>199,930</b>
The consolidated statements of cash flows for 2010 and 2009 include the cash flows relating to the discontinued operations of the dairy product business.		
The main aggregates are as follows:		
<b>Total net cash flows from operating activities</b>	<b>30,352</b>	<b>30,570</b>
<b>Total net cash flows from investing activities</b>	<b>(4,681)</b>	<b>(6,882)</b>
<b>Total net cash flows from financing activities</b>	<b>1,491</b>	<b>(45,158)</b>

The accompanying Notes 1 to 32 are an integral part of the consolidated statement of cash flows for the year ended 31 December 2010.

## Notes to the Consolidated Financial Statements for the year ended 31 December 2010 (Thousand of euro)>>>

### 1. Group activities and general information

The Spanish public limited liability company Ebro Foods, S.A. ("the Parent") 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, the shareholders at the Annual General Meeting held on 1 June 2010 changed it to the company's current name of Ebro Foods, S.A.

The Parent's current registered office is in Madrid (28046), at Paseo de la Castellana, 20.

The Group's object is to perform the following business activities in Spanish and foreign markets:

- a) The production, preparation, sale, research, export and import of all manner of food and dietary products for both human and animal consumption, in addition to energy food products, including their by-products and waste, and, in particular, of agricultural products, dairy products, rice, pasta and all manner of nutritional products, including enteral diets for clinical feeding and special formulas, products and compounds for sale in the pharmaceutical, healthcare, veterinary and biofuel industries.
- b) The production, exploitation and sale of all manner of food, soft and alcoholic beverages.
- c) The use of by-products and the provision of services or products of all types relating to the aforementioned activities, including refrigeration units, ice, industrial gas, steam, cooling and energy.
- d) The acquisition, lease, creation, installation, promotion, development and management of industrial, farming and livestock facilities in the food, nutrition and beverage (including alcohol) industries.
- e) The performance of projects and installation work and the provision of all manner of technical assistance for other companies in the aforementioned industries; the creation, promotion, protection and use of patents, trademarks and items of other kinds covered by intellectual property rights.
- f) Staff training, computer programming or management, investment and optimisation of resources, advertising and corporate image, transport, distribution and sale activities that are ancillary or complementary to the aforementioned activities.

The activities making up the Group'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.

The Group currently operates in the Spanish and international markets. A breakdown of the Group's sales is disclosed in Note 6 on operating segment reporting.

The consolidated financial statements for 2009 were approved by the shareholders at the Annual General Meeting of Ebro Puleva, S.A. on 1 June 2010 and were filed at the Madrid Mercantile Registry.

The appropriation of profit of the Parent proposed by the directors of Ebro Foods, S.A. at the Board of Directors Meeting held on 30 March 2011 for approval by the shareholders at the Annual General Meeting is as follows:

**Amounts relating only to the separate financial statements of the Parent**

<b>BASIS OF APPROPRIATION (Thousand of euro)</b>	<b>Amount</b>
Unrestricted reserves	572,980
Income statement (profit)	364,160
	<b>937,140</b>

As in prior years, as a result of the consolidated profit for 2010 of the Ebro Puleva Group, the distribution of an ordinary dividend payable in cash out of unrestricted reserves of EUR 0.416 per share can be proposed, payable in four quarterly payments of EUR 0.104 each, on 4 April, 4 July, 3 October and 22 December 2011, for a total of EUR 64,008 thousand.

**Restrictions on the distribution of dividends**

Ebro Foods, S.A 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. This reserve may not be distributed to shareholders until it has reached 20% of share capital.

Once the appropriations foreseen by the Law or the bylaws have been made, dividends may only be distributed with a charge to the profit for the year or to unrestricted reserves if the value of equity is not, or does not become as a result of the distribution, lower than the share capital. To this end, the profit taken directly to equity cannot be distributed, directly or indirectly. If prior years' losses reduce the Company's equity to below its share capital, profit will be used to offset these losses.

**2. Basis of presentation and comparability of the information included in the consolidated financial statements**

These consolidated financial statements are presented in thousands of euros (unless expressly stated otherwise) because the euro is the principal currency in which the Ebro Foods Group operates. Transactions performed in other currencies are translated to euros using the accounting policies indicated in Note 3.

## **a) Basis of presentation**

### **1. General accounting principles**

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council.

The consolidated financial statements for the year ended 31 December 2010, which were authorised for issue by the Parent's directors on 30 March 2011, have not yet been approved by the shareholders at the Annual General Meeting, although it is considered that they will be approved without any changes (similarly, the 2010 financial statements of Ebro Foods, S.A. and of its subsidiaries and associates have not yet been approved by the shareholders at the related Annual General Meetings).

These consolidated financial statements were prepared using the general historical cost measurement basis, unless revaluations had to be made in accordance with IFRSs.

### **2. Use of estimates and assumptions**

The information in these consolidated financial statements is the responsibility of the directors of the Parent.

In preparing the accompanying consolidated financial statements, estimates were occasionally made by management of the Group companies in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- ▶ The measurement of assets and goodwill to ascertain whether there are any impairment losses thereon (see Notes 3-f, 3-g and 3-h).
- ▶ The assumptions used in the actuarial calculation of the retirement benefit and similar liabilities and obligations (see Notes 3-n and 20).
- ▶ The useful life of the property, plant and equipment and intangible assets (see Notes 3-e and 3-f).
- ▶ The assumptions used in measuring the fair value of the financial instruments (see Note 3-r).
- ▶ The probability of occurrence and the amount of liabilities of uncertain amount or of contingent liabilities (see Note 3-o).
- ▶ The recoverability of the deferred tax assets (see Note 3-q).

Although these estimates were made on the basis of the best information available at the date of preparation of these consolidated financial statements on the events analysed, 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, recognising the effects of the change in estimates in the related future consolidated financial statements.

## **b) Comparative information**

For comparison purposes the Group presents, in addition to the figures for the year ended 31 December 2010 for each item in the consolidated balance sheet, consolidated income statement, consolidated statement of cash flows,

consolidated statement of changes in equity, consolidated statement of comprehensive income and notes to the consolidated financial statements, the figures for the year ended 31 December 2009.

Under accounting standards in force, the agreement for the sale of the dairy product business entered into on 2 September 2010 (see Note 7) required that the consolidated income statement for 2009 be changed to disclose continuing activities separately from discontinued activities and therefore present uniform comparative figures with the consolidated income statement for 2010. It was not necessary to make other significant changes to the figures for 2009.

#### **c) Changes in the scope of consolidation**

The main changes in the scope of consolidation in 2010 and 2009 and the consolidation or accounting method used in each case are shown in Notes 4 and 5.

### **3. Accounting policies**

The most significant accounting policies used in preparing the consolidated financial statements were as follows:

#### **a) Basis of consolidation**

##### **Subsidiaries**

The consolidated financial statements include the balances of all the companies over which the Group has control. Control is the power to govern a company's financial and operating policies in order to obtain benefits from its activities.

On the acquisition of a company, its assets, liabilities and contingent liabilities are recognised at fair value on the date of acquisition. Any excess of the cost of acquisition over the fair value of the net assets acquired is recognised as goodwill; any deficiency is credited to the consolidated income statement. The results of companies acquired during the year are included in the consolidated income statement from the effective date of acquisition.

Non-controlling interests are stated at the date of acquisition on the basis of their proportion of the fair value of the assets and liabilities of the related subsidiary.

Where necessary, adjustments are made to the financial statements of certain subsidiaries in order to adapt the accounting policies used to those applied for the Group as a whole.

All material intra-Group balances and transactions were eliminated on consolidation.

### **Associates**

Associates (companies over which the Group exercises significant influence but not control) and joint ventures were accounted for using the equity method. Therefore, investments in associates are recognised in the consolidated balance sheet at cost adjusted by changes subsequent to the date of acquisition in the equity of the associate, in proportion to the percentage of ownership, less any recognised impairment losses. The results of these associates are included, net of the related tax effect, in the consolidated income statement.

### **b) Translation methods**

The separate financial statements of the Group companies are expressed in the local currency of each company. For consolidation purposes, assets and liabilities are translated to euros at the exchange rates prevailing at the consolidated balance sheet date, the consolidated income statement items at the average exchange rates for the year and share capital, share premium and reserves at the historical exchange rates. The differences arising from the application of these translation methods derived from investments in subsidiaries and associates are recognised under "Equity - Translation Differences".

In the case of non-controlling interests, these translation differences are recognised under "Equity – Non-Controlling Interests".

The goodwill and valuation adjustments made to the net assets arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and, therefore, are also translated at the exchange rates prevailing at the consolidated balance sheet date.

When an investment in a subsidiary is disposed of, the accumulated translation differences relating to that company up to the date of disposal are recognised in profit or loss.

### **c) Foreign currency transactions**

Foreign currency transactions are translated to euros by applying the exchange rates prevailing at the date of the transaction. Losses and gains resulting from the settlement of foreign currency transactions and from the measurement of monetary assets and liabilities denominated in foreign currencies at the consolidated balance sheet date are recognised in the consolidated income statement.

### **d) Cash and cash equivalents**

These include cash and cash equivalents, which are mainly certificates of deposits, short-term deposits, short-term marketable securities, short-term government bonds and other money market assets maturing at three months or less, and bank deposits maturing at more than three months the related funds in which are available immediately without any kind of penalty. These assets are measured at acquisition cost, which approximates their realisable value.

### **e) Property, plant and equipment and investment property**

Property, plant and equipment and investment property are measured at the lower of:

- ▶ Acquisition (or production) cost less any accumulated depreciation and any recognised impairment losses; and
- ▶ Recoverable amount, i.e. the amount that will be recovered through the cash-generating units to which the assets belong or through their sale, capital appreciation or a combination of the two.

Also, certain items of property, plant and equipment and investment property have been revalued at their fair value determined on the basis of appraisals conducted by independent valuers, as a result of the acquisition of subsidiaries or associates, in accordance with the measurement bases described in Note 3-a above.

Items are only transferred from “Property, Plant and Equipment” to “Investment Property” when there is a change in use. When transferring an item of investment property to owner-occupied property, the property’s deemed cost for subsequent accounting is the carrying amount at the date of change in use. If an owner-occupied property becomes an investment property, the Group accounts for this property in accordance with the policy established for property, plant and equipment up to the date of the change in use.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property are recognised in profit or loss in the period of the retirement or disposal. When factors indicating the possible obsolescence of these assets are detected, the corresponding impairment losses are recognised.

Borrowing costs on the financing obtained for the construction of non-current assets have been capitalised since 1 January 2009 (until then they were recognised in the consolidated income statement) until the date of entry into service of these assets. The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised. Upkeep and maintenance costs are recognised with a charge to the consolidated income statement for the year in which they are incurred.

The depreciation of property, plant and equipment is calculated using the straight-line method on the basis of the useful life of the assets, based on the actual decline in value caused by their use and by wear and tear, as shown below. The residual value and the useful life of these assets and the depreciation method used are reviewed once a year.

#### DEPRECIATION RATE

Buildings and other structures	1.0 a 3.0%
Plant and machinery	2.0 a 20%
Other fixtures, tools and furniture	8 a 25%
Other items of property, plant and equipment	5.5 a 25%



When substantially all the risks and rewards of ownership of assets held under finance leases have been transferred to the Group, these assets are recognised as assets and the present value of the total lease payments outstanding is recognised as a liability. Each lease payment includes principal and interest. Interest is calculated on the basis of the application of a fixed interest rate to the outstanding principal. Leased assets are depreciated on a straight-line basis over the years of useful life of the assets at the rates shown above. Lease payments under operating leases are recognised as an expense on an accrual basis over the lease term.

**f) Intangible assets (excluding goodwill and CO2 emission allowances)**

Intangible assets are initially recognised at acquisition or production cost and are reviewed periodically and adjusted in the event of any impairment, as described in Note 3-h). Also, the residual value, useful life and amortisation method for intangible assets with finite useful lives are reviewed once a year. The intangible assets are as follows:

- ▶ **Development expenditure:** the expenditure incurred in specific projects to develop new products that can be sold or used internally and whose future recoverability is reasonably assured is capitalised and amortised on a straight-line basis over the period in which future economic benefits are expected to flow from the project once it has been completed. The future recoverability of the expenditure is deemed to be reasonably assured when the related project is technically feasible, the Group has the ability and intention to complete the intangible asset and use or sell it and the intangible asset will generate probable future economic benefits.
  
- ▶ **Trademarks, patents and licences:** capitalised development expenditure is classified under this heading when the related patent or similar item is obtained. This heading also includes, recognised at acquisition cost, new trademarks acquired from third parties and, at fair value, trademarks acquired in a business combination. Based on an analysis of all of the relevant factors, the Group has established that there is no foreseeable limit to the period over which the most significant trademarks are expected to generate net cash inflows for the entity and, therefore, these trademarks are regarded as having an indefinite useful life. However, the useful life of the trademarks is reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for them. Any amortisation taken is calculated on the basis of the estimated useful lives of the assets, which range from 10 to 20 years.
  
- ▶ **Computer software:** "Computer Software" includes the amounts paid for title to or the right to use computer programs and the costs incurred in developing the software in-house, only when the software is expected to be used over several years. Computer software is amortised on a straight-line basis over the years of its useful life, which is generally taken to be around three years. Computer software maintenance costs are charged directly to the consolidated income statement for the year in which they are incurred.

### **g) Goodwill**

Goodwill represents the excess price paid in acquiring the fully consolidated subsidiaries over the fair value of the net assets of those companies at the date of acquisition. The excess acquisition cost relating to investments in associates is recognised under "Investments in Associates" in the consolidated balance sheet and any impairment losses are recognised under "Share of Results of Associates" in the consolidated income statement.

When payment for new investments is deferred, the acquisition cost includes the present value of the amount of the deferred payment. When the definitive amount of the deferred price may be affected by future events, the amount of the deferred price is estimated at the date of acquisition and is recognised as a liability. Subsequent changes in the deferred price will give rise to an adjustment to the goodwill in the year in which the change in estimate is made, and the related liability is also adjusted.

Goodwill is not amortised but rather is tested for impairment at least once a year. Any impairment disclosed by these tests is recognised immediately in the consolidated income statement. An impairment loss recognised for goodwill must not be reversed in a subsequent period.

Also, negative goodwill is recognised in profit or loss once the fair value of the net assets acquired has been established.

When a subsidiary or associate is sold, any goodwill attributed to that company is included in the calculation of the gain or loss on disposal.

### **h) Impairment of property, plant and equipment and intangible assets**

The Group regularly reviews each year the carrying amounts of its non-current assets to determine whether those assets might have suffered an impairment loss.

If this review discloses that the recoverable amount of an asset is lower than its carrying amount, an impairment loss is recognised in the consolidated income statement to write down the carrying amount of the asset to its recoverable amount. Recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using appropriate discount rates.

Where the asset that might have become impaired does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of intangible assets with indefinite useful lives is reviewed annually (annual impairment test) or whenever there is an indication that they might have become impaired. A reversal of an impairment loss on an asset is recognised in the consolidated income statement for the year.

### **i) Non-current assets classified as held for sale and discontinued operations**

Non-current assets classified as held for sale and discontinued operations are measured at the lower of cost and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for sale in less than one year in its present condition.

#### **j) Financial assets (investments)**

Financial assets are recognised (or derecognised) at the effective date of the transaction. They are recognised initially at fair value, which generally coincides with acquisition cost, including any transaction costs.

#### **Investments**

Investments are classified as:

- ▶ **Held-to-maturity investments:** financial assets with fixed or determinable payments and fixed maturity. The Group has the positive intention and ability to hold them from the date of purchase to the date of maturity. This category includes mainly short-term deposits, which are measured at amortised cost.
- ▶ **Held-for-trading financial assets:** assets acquired by the companies with the intention of generating a profit from short-term fluctuations in their prices or from differences between their purchase and sale prices. They are measured at fair value at the date of subsequent measurement where this can be determined reliably. In these cases, the gains and losses arising from changes in fair value are recognised in the income statement for the year.
- ▶ **Available-for-sale financial assets:** these include debt securities and equity instruments of other companies that are not classified in any of the previous categories. The measurement bases are:
  - At fair value when it is possible to determine it reliably, based on either the market price or, in the absence thereof, using the price established in recent transactions or the discounted present value of the future cash flows. The gains and losses from changes in fair value are recognised directly in equity until the asset is disposed of, at which time the cumulative gains or losses previously recognised in equity are recognised in the income statement for the year. If fair value is lower than acquisition cost and there is objective evidence that the asset has suffered an impairment loss that cannot be considered reversible, the difference is recognised directly in the consolidated income statement.
  - At acquisition cost, adjusted for any impairment losses disclosed, in the case of investments in unlisted companies, since it is not always possible to determine the fair value reliably.

At 31 December 2010, available-for-sale financial assets were measured against listed (and unadjusted) market prices and placed on level one of the fair value measurement hierarchy established in IFRS 7.

In 2010 and 2009 no financial assets were reclassified among the categories defined in the preceding paragraphs.

#### **Other receivables**

Short- and long-term non-trade receivables are recognised at the amount delivered (amortised cost). Interest received is considered to be interest income for the year in which it accrues, on a time proportion basis.

Short-term non-trade receivables are generally not discounted.

#### **k) Trade and other receivables**

Trade and other receivables are recognised at their nominal value, which coincides with their amortised cost. The valuation adjustments required to cover the risk of doubtful debts are recognised.

Amounts relating to discounted notes and bills are classified until maturity as trade and other receivables and, simultaneously, as bank borrowings (current financial liabilities).

#### **l) Inventories**

Inventories are measured at weighted average acquisition or production cost.

Acquisition cost relates to the amount stated in the invoice plus all the additional expenses incurred until the goods are in the warehouse.

Production cost is determined by adding production costs directly attributable to the product and the portion of costs indirectly attributable thereto to the acquisition cost of raw materials and other consumables to the extent that such costs are incurred in the production period.

When the selling price less the estimated costs necessary to make the sale and to complete the production of the inventories is lower than the costs indicated in the preceding paragraph, the carrying amount of the inventories is written down.

#### **m) Deferred income - Grants**

Grants received are accounted for as follows:

- a. Non-refundable grants related to assets: these grants are measured at the amount awarded and are recognised in profit or loss on a straight-line basis over ten years, which approximates the average period over which the assets financed by these grants are depreciated. They are presented on the liability side of the consolidated balance sheet.
- b. Grants related to income: these grants are credited to income when earned.

#### **n) Retirement benefit and similar obligations**

The Group manages various defined benefit and defined contribution post-employment benefit plans. The costs of the defined benefit plans are measured using the Projected Unit Credit Method.

The obligations under the defined benefit plans are calculated by an independent actuary once a year in the case of the most significant plans and on a regular basis in the case of the other plans. The actuarial assumptions used for the calculation of the obligations differ on the basis of the economic circumstances of each country.

The plans may be funded through an external pension fund or through in-house provisions.

For externally funded defined benefit plans, any deficit in the fair value of the plan assets with respect to the present value of the obligation as a result of actuarial gains or losses is recognised directly in equity net of the related tax effect, and any changes in past service costs are recognised in profit or loss. A surplus in the plan is only recognised in the balance sheet to the extent that it represents a future economic benefit, in the form of either a reduction in future contributions or a cash refund. Actuarial gains and losses arise mainly as a result of changes in actuarial assumptions or differences between the estimated variables and what has actually occurred.

In the case of the defined benefit plans, the actuarial cost charged to the consolidated income statement for the year is the sum of the current service cost, the interest cost, the expected return on any plan assets and the past service cost, while any material actuarial gains and losses are recognised directly in equity. Contributions to defined contribution plans are charged to consolidated profit or loss when they are made.

Pursuant to the current collective agreement and other agreements, Ebro Foods, S.A. (mainly) is obliged to pay annual supplementary payments of various kinds and other bonuses for long service and retirement of certain of their permanent employees who retire at the legally stipulated age or who take early retirement.

The provision recognised represents the present value, calculated by an independent actuary, of the possible future payment obligations of the companies concerned to their former and current employees in connection with the aforementioned retirement bonus obligations. This provision was externalised in accordance with current legislation (see Note 20). Since 2002 the companies concerned have been obliged to make annual contributions to external pension funds in order to re-adjust the contributions to the possible obligations vested at the end of each reporting period. In any case, these re-adjustments are not material with respect to consolidated profit or loss.

In accordance with the current collective agreements and other agreements, the Riviana and NWP Groups and certain European Group companies (mainly) are obliged to pay annual supplementary payments of various kinds and other bonuses for long service and retirement of certain of their permanent employees who retire at the legally stipulated age or who take early retirement.

The provision recognised represents the present value, calculated by an independent actuary, of the possible future payment obligations of the companies concerned to their former and current employees in connection with the aforementioned retirement bonus obligations, net of the present value of the financial assets in which the related funds are invested. These plans are managed independently by a Management Committee made up of employees, executives and third parties.

In addition, certain Group companies grant their employees certain voluntary retirement bonuses of undetermined amount. These bonuses, which are scantily material, are recognised as an expense when they are paid. The other Group companies do not have any similar obligations or have obligations that are scantily material.

#### **o) Other provisions**

These provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The provisions are recognised for the estimated amounts (calculated at the reporting date at their present value) required for probable or certain third-party liability arising from litigation in process or outstanding obligations.

If an outflow of economic benefits is considered only possible, but not probable, no provision is recognised in the consolidated financial statements, but rather a description of the related contingent liability is disclosed.

Provisions for restructuring costs are only recognised when there is a detailed formal plan for the restructuring (identifying the business concerned, the locations affected, the function, and number of employees who will be compensated for terminating their services, the expenditures that will be undertaken and when the plan will be implemented) and, in addition, there is a valid expectation in those affected that the restructuring will be carried out because the plan has started to be implemented or because the main features of the plan have been announced to those affected by it. These provisions are estimated on the basis of both their economic substance and their legal form.

#### **p) Financial liabilities - Loans and credit facilities**

Loans and credit facilities maturing within no more than twelve months from the balance sheet date are classified as current liabilities and those maturing within more than twelve months are classified as non-current liabilities.

All the loans and credit facilities are recognised at their original cost less the costs associated with their arrangement. After their initial recognition, they are subsequently measured at amortised cost. Interest on the payables and all the costs associated with them are recognised in profit or loss on a time proportion basis.

#### q) Income tax

The income tax expense for the year is recognised in the consolidated income statement, except in cases in which it relates to items that are recognised directly in equity, in which case the related tax is also recognised in equity.

Deferred tax is accounted for using the balance sheet liability method. Under this method, deferred tax assets and liabilities are recognised on the basis of the temporary differences between the carrying amounts of the assets or liabilities and their tax bases and are measured on the basis of the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates and laws approved or in the process of being approved at the balance sheet date.

Deferred tax assets and liabilities arising from changes in consolidated equity are charged or credited directly to consolidated equity. Deferred and other tax assets are recognised when their future realisation is reasonably assured and they are subsequently adjusted if benefits are unlikely to be obtained in the future.

Deferred tax liabilities associated with investments in subsidiaries and associates are not recognised if the Parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

#### r) Financial instruments

The Group uses certain financial derivatives to manage its exposure to changes in foreign exchange rates and interest rates. All these derivatives, whether or not they have been designated as hedging instruments, are measured at fair value, which is the market value in the case of quoted instruments and, in the case of unquoted instruments, is established on the basis of measurements based on option pricing models or discounted cash flow analyses. These instruments were recognised as follows:

- ▶ Cash flow hedges: the gains and losses obtained as a result of changes in fair value, at the balance sheet date of financial instruments designated as hedges, provided that the hedges are considered to be effective, are recognised, net of the related tax effect, directly in equity until the forecast transaction occurs, at which time they are transferred to consolidated profit or loss. Gains and losses considered ineffective are recognised directly in the consolidated income statement.
- ▶ Hedges of a net investment in a foreign operation: the portion of the gains or losses on a hedging instrument determined to be an effective hedge arising from fair value adjustments to these investments are recognised, net of the related tax effect, directly under "Translation Differences" and are transferred to the consolidated income statement when the hedged operation is disposed of. Gains and losses considered ineffective are recognised directly in the consolidated income statement.
- ▶ Accounting for financial instruments not designated as hedges or which do not qualify for hedge accounting: the gains and losses from fair value adjustments to such financial instruments are recognised directly in the consolidated income statement.

### **s) Revenue recognition**

Revenue and expenses are recognised on an accrual basis. Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of the Group when those inflows result in increases in equity, other than increases relating to contributions from equity participants and that these benefits can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable arising therefrom.

Revenue associated with the rendering of services is only recognised if it can be estimated reliably, by reference to the stage of completion of the transaction at the balance sheet date.

The Group excludes from the revenue figure gross inflows of economic benefits received when it is acting in an agency relationship on behalf of third parties, and only recognises as revenue economic benefits received for its own account.

When goods or services are exchanged or swapped for goods or services in a non-commercial transaction, the exchange is not regarded as a transaction which generates revenue.

The Group records for the net amount non-financial asset purchase or sale contracts settled for the net amount of cash or through some other financial instrument. Agreements entered into and held for the purpose of receiving or delivering such non-financial assets are recognised in accordance with the contractual terms of the purchase, sale or usage expectations of the Group.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable.

### **t) Information on environmental issues**

Expenses incurred in relation to environmental activities performed or that must be performed and in managing the effects on the environment of the Group's operations and those arising from obligations relating to the environment are considered to be environmental expenses.

Assets intended to be used on a lasting basis in the Group's operations whose principal purpose is to minimise environmental impact and to protect and improve the environment, including the reduction or elimination of the pollution caused in the future by the Group's operations, are considered to be environmental investments. These assets are accounted for in accordance with the policies established for property, plant and equipment.

### **u) CO<sub>2</sub> emission allowances**

The Group recognises CO<sub>2</sub> emission allowances as intangible assets with indefinite useful lives. The allowances received at zero cost under the related National Allocation Plans are measured at the market price prevailing on the date on which they are received, and an item of deferred income is recognised for the same amount.



In 2008 a new five-year national zero-cost emission allowance allocation plan commenced in Spain, with a total allocation for the period from 2008 to 2012 of 345,815 tonnes (930,225 tonnes before the sale of the dairy product business).

Without taking into account the allocations and consumption of the dairy product business, which was sold in 2010, in 2010 and 2009 the Group received at zero cost emission allowances equal to 69,163 tonnes each year, under the national allocation plans approved in Spain.

These plans also provide for the allocation at zero cost of emission allowances for 2011 equal to 69,163 tonnes. In 2010 and 2009 the Group consumed 11,185 and 67,525 tonnes of emission allowances, respectively.

These allowances are initially recognised as an intangible asset and an item of deferred income at their market value when they are received, and they are allocated to "Other Operating Income" in the consolidated income statement as the CO<sub>2</sub> emissions that they are intended to cover are made.

Since 2005 companies that make CO<sub>2</sub> emissions in the course of their business activities have had to deliver in the first few months of the following year CO<sub>2</sub> emission allowances equal to the emissions made during the year. The obligation to deliver emission allowances for the CO<sub>2</sub> emissions made during the year is recognised under "Non-Current Liabilities - Other Provisions" in the consolidated balance sheet, and the related cost was recognised under "Cost of Materials Used and Other External Expenses" in the consolidated income statement.

This obligation is measured at the same amount as that at which the CO<sub>2</sub> emission allowances to be delivered to cover the obligation are recognised under "Intangible Assets" in the consolidated balance sheet.

If at the consolidated balance sheet date the Group does not hold all the CO<sub>2</sub> emission allowances required to cover the emissions made, the cost and the provision for this portion is recognised on the basis of the best estimate of the price that the Group will have to pay to acquire them. When a more appropriate estimate does not exist, the estimated acquisition price for the allowances not held by the Group is the market price at the consolidated balance sheet date.

At 31 December 2010 (2009 still with the dairy product business), the provision recognised in the consolidated balance sheet in relation to the emissions made by the Group in that year amounted to EUR 149 thousand (2009: EUR 2,420 thousand). This amount will be covered by the emission allowances received under the related national allocation plans.

#### **v) Treasury shares**

Treasury shares re-acquired are deducted directly from consolidated equity. No gains or losses are recognised in the consolidated income statement as a result of acquisitions, sales, issues or retirements of the Group's own equity instruments.

#### w) New IFRSs and IFRICs

The measurement bases (accounting policies) adopted in preparing the consolidated financial statements for 2010 are consistent with those applied in preparing the consolidated financial statements for 2009, except for the following new IFRSs and IFRICs and changes to existing standards or interpretations that came into force from 1 January 2010:

- ▶ IFRS 2 Share-based Payments (Amended)
- ▶ IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) The revised IFRS 3 and the amendments to IAS 27 give rise to very significant changes in several matters relating to accounting for business combinations which, in general, place greater emphasis on the use of fair value. Some of the most significant changes relate to the treatment of transaction costs, which will be accounted for as expenses rather than considered an increase in the cost of the business combination as per the current accounting treatment; step acquisitions, in which the acquirer revalues the existing investment at fair value on the date it obtains control; or the option to measure the non-controlling interests in the acquiree at fair value rather than measure them at the proportional part of the fair value of the net assets acquired as per the current accounting treatment. Since the standard will be applied prospectively it has no impact on the business combinations performed before 1 January 2010.
- ▶ IAS 39 Financial instruments: Recognition and measurement – Items that can be classified as hedged
- ▶ IFRIC 12 Service Concession Arrangements
- ▶ IFRIC 15 Agreements for the Construction of Real Estate
- ▶ IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- ▶ IFRIC 17 Distributions of Non-cash Assets
- ▶ IFRIC 18 Transfers of Assets from Customers
- ▶ Changes to IFRS 5 Non-current Assets Held-for-sale and Discontinued Operations included in the Amendments to IFRSs issued in May 2008.

The adoption of these standards, interpretations and amendments had no material impact on the Group's financial position or results. The Group did not opt for the early adaptation of any standard, interpretation or amendment that had been published but whose application was not obligatory.

At the date of preparation of these consolidated financial statements, the following main standards and interpretations had been issued by the IASB but had not yet become effective, either because their effective date is subsequent to the date of the consolidated financial statements or because they had not yet been adopted by the European Union:

## STANDARDS AND AMENDMENTS TO STANDARDS

		Obligatory application in the years beginning on or after
<b>Approved for use in the European Union</b>		
Amendments to IAS 32	Classification of Rights Issues	1 February 2010
Revision of IAS 24	Related Party Disclosures	1 January 2011
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement	1 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010
<b>Not approved for use in the European Union</b>		
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2013
Amendments to IFRSs (May 2010)	Non-urgent amendments to IFRSs	Various (mainly 1 January 2011)
Amendments to IFRS 7	Transfers of Financial Assets	1 July 2011
Amendments to IAS 12	Deferred Taxes on Investment Property	1 January 2012

IFRS 9 will in the future replace the current part of IAS 39 relating to classification and measurement. There are very significant differences with respect to the current standard on financial assets, including the approval of a new classification model based on only two categories, namely instruments measured at amortised cost and those measured at fair value, the disappearance of the current “held-to-maturity investments” and “available-for-sale financial assets” categories, impairment analyses only for assets measured at amortised cost and the non-separation of embedded derivatives in financial contracts. At the reporting date, the future impact of the adoption of this standard had still not been analysed.

The directors have assessed the potential impact of applying these standards in the future and estimate that their entry into force will not have a material impact on the consolidated financial statements.

## 4. Subsidiaries and associates

The detail of Ebro Foods, S.A.'s direct and indirect investments in Group subsidiaries and associates is as follows:

Subsidiaries and associates	% of ownership		Parent		Location	Line of business
	12-31-10	12-31-09	12-31-10	12-31-09		
Dosbio 2010, S.L.	100.0%	100.0%	EF	EF	Madrid (Spain)	Flour production
Fincas e Inversiones Ebro, S.A.	100.0%	100.0%	EF	EF	Madrid (Spain)	Farming
Arotz Foods, S.A.	100.0%	100.0%	EF	EF	Madrid (Spain)	Production and preservation of vegetables
Puleva Food, S.L. (Grupo) (PF) (a)	0.0%	100.0%	EF	EF	Granada (Spain)	Production of dairy products
Lactimilk, S.A. (Group) (LACT) (a)	0.0%	100.0%	EF	EF	A Coruña (Spain)	Production of dairy products
Biosearch, S.A. (formerly Puleva Biotech) (c)	50.90%	50.90%	EF	EF	Granada (Spain)	Development and marketing of new products
Jiloca Industrial, S.A.	100.0%	100.0%	EF	EF	Teruel (Spain)	Production of organic fertiliser
Beira Terrace Ltda.	100.0%	100.0%	EF	EF	Porto (Portugal)	Real estate
Riviana Foods Inc (Group) (Riviana)	100.0%	100.0%	EF	EF	Houston (Texas-US)	Production and sale of rice
Panzani, SAS (Group) (Panzani)	100.0%	100.0%	EF	EF	Lyon (France)	Production and sale of pasta and sauces
New World Pasta Comp. (Group) (NWP)	100.0%	100.0%	EF	EF	Harrisburg (US)	Production and sale of pasta and sauces
Birkel Teigwaren GmbH (Birkel)	100.0%	100.0%	EF	EF	Germany	Production and sale of pasta and sauces
Azucarera Energías, S.L.	60.0%	60.0%	EF	EF	Madrid (Spain)	Combined heat and power generation
Lince Insurance Ltd.	0.0%	100.0%	EF	EF	Dublin (Ireland)	Insurance - liquidated in 2010
Networks Meal Solutions, S.A. (NMS)	100.0%	100.0%	EF	PF	Madrid (Spain)	Dormant
JJ. Software de Medicina, S.A. (b)	26.8%	26.8%	NMS	NMS	Madrid (Spain)	Dormant
Fundación Puleva	100.0%	100.0%	EF	PF	Madrid (Spain)	Foundation
Puleva Salud, S.A. (a)	0.0%	91.25%	PF	PF	Granada (Spain)	Internet
Grelva, S.L. (a)	0.0%	100.0%	PF	PF	Granada (Spain)	Combined heat and power generation
Miguel Sancho Puleva, S.A. (a)	0.0%	100.0%	PF	PF	Granada (Spain)	Dormant
Edda, S.A. (a)	0.0%	100.0%	PF	PF	Granada (Spain)	Dormant
Nutrilac, S.L. (a)	0.0%	100.0%	PF	PF	Granada (Spain)	Dormant
Castillo Castelló, S.A. (a)	0.0%	80.0%	LACT	LACT	Lleida (Spain)	Sale of dairy products
Innovalact El Castillo, S.A. (a)	0.0%	100.0%	LACT	LACT	Lleida (Spain)	Sale of dairy products
El Castillo Madibic, S.L. (a)	0.0%	50.0%	LACT	LACT	Barcelona (Spain)	Sale and development of services relating to livestock farming

Subsidiaries and associates	% of ownership		Parent		Location	Line of business
	12-31-10	12-31-09	12-31-10	12-31-09		
Herba Foods S.L. (HF)	100.0%	100.0%	EF	EF	Madrid (Spain)	Investment management
Herba Ricemills S.L. (HR)	100.0%	100.0%	EF	EF	Madrid (Spain)	Production and sale of rice
Herba Nutrición S.L. (HN)	100.0%	100.0%	EF	EF	Madrid (Spain)	Production and sale of rice
Fallera Nutrición, S. L.	100.0%	100.0%	HN	HN	Valencia (Spain)	Production and sale of rice
S&B Herba Foods Ltda. (Group)	100.0%	100.0%	HF/R. Int.	HF/R. Int.	London (UK)	Production and sale of rice
Herba Germany, GmbH	100.0%	100.0%	HF	HF	Hamburg (Germany)	Ownership of trademarks
Riceland Magyarorszag	100.0%	100.0%	HF/EF	HF/EF	Budapest (Hungary)	Production and sale of rice
Danrice A.S.	100.0%	100.0%	HF	HF	Orbaek (Denmark)	Production and sale of rice
Boost Nutrition C. V. (Boost)	100.0%	100.0%	HF / N.C.	HF / N.C.	Merksem (Belgium)	Production and sale of rice
Euryza	100.0%	100.0%	Boost	Boost	Stuttgart (Germany)	Production and sale of rice
Mundi Riso S.R.L.	100.0%	100.0%	HF	HF	Vercelli (Italy)	Production and sale of rice
Herba Hellas, S.A.	75.0%	75.0%	HF	HF	Thessalonica (Greece)	In liquidation
Mundi Riz, S.A.	100.0%	100.0%	HF	HF	Larache (Morocco)	Production and sale of rice
Agromeruan	100.0%	100.0%	HF	HF	Larache (Morocco)	Farmland concession operator
Rivera del Arroz, S.A.	100.0%	100.0%	HF	HF	Larache (Morocco)	Rice production
Mundi Vap	100.0%	100.0%	HF	HF	Larache (Morocco)	Production and distribution of rice
Katania Magreb, Ltda.	100.0%	100.0%	HF	HF	Larache (Morocco)	Production and distribution of legumes
Arrozeiras Mundiarroz, S.A.	100.0%	100.0%	HF	HF	Lisbon (Portugal)	Production and sale of rice
Josep Heap Properties, Ltda.	100.0%	100.0%	HF	HF	Liverpool (UK)	Investment management and administration
Risella OY	100.0%	100.0%	HF	HF	Helsinki (Finland)	Sale of rice
Bosto Poland, S.L.	100.0%	100.0%	HF	HF	Warsaw (Poland)	Sale of rice
Herba Bangkok	100.0%	100.0%	HF	HF	Bangkok (Thailand)	Production and sale of rice
Herba Egipto	100.0%	100.0%	HF	HF	Egypt	Production and sale of rice
Herba de Puerto Rico	100.0%	100.0%	HF	HF	Puerto Rico	Sale of rice
Herba Ricemills Rom, SRL	100.0%	100.0%	HF	HF	Romania	Sale of rice
Herba India	100.0%	100.0%	HF	HF	New Delhi (India)	Production and sale of rice
Nuratri, S.L.	100.0%	100.0%	HR	HR	Madrid (Spain)	Sale of rice
Nutramas, S.L.	100.0%	100.0%	HR	HR	Madrid (Spain)	Sale of rice
Nutrial, S.L.	100.0%	100.0%	HR	HR	Madrid (Spain)	Sale of rice
Pronatur, S.L.	100.0%	100.0%	HR	HR	Madrid (Spain)	Sale of rice
Vítasan, S.L.	100.0%	100.0%	HR	HR	Madrid (Spain)	Sale of rice
Yofres, S.A.	100.0%	100.0%	HR	PF	Seville (Spain)	Sale of rice
Herba Trading, S.A. (formerly Uniasa, S.A.)	100.0%	100.0%	HR	PF	Seville (Spain)	Sale of rice
Formalac, S.L.	100.0%	100.0%	HR	PF	Seville (Spain)	Sale of rice
Eurodairy, S.L.	100.0%	100.0%	HR	LACT	Seville (Spain)	Sale of rice
Española de I+D, S.A.	60.0%	60.0%	HR	Biosearch	Valencia (Spain)	Development and marketing of new products
Riviana International Inc. (R. Int.)	100.0%	100.0%	Riviana	Riviana	Houston (US)	Investment management
Ebro Riviana de Guatemala, S. A.	100.0%	100.0%	R. Int.	R. Int.	Guatemala	Investment management
Ebro de Costa Rica, S. A.	100.0%	100.0%	R. Int.	R. Int.	San José (Costa Rica)	Investment management
R&R Partnership (formerly Rivland, Inc.) (b)	50.0%	50.0%	Riviana	Riviana	Houston (US)	Production and sale of rice
South La Fourche, Inc (b)	50.0%	50.0%	Riviana	Riviana	Houston (US)	Farm land
N&C Boost N. V. (N.C. Boost)	100.0%	100.0%	R. Int.	R. Int.	Amberes (Belgium)	Investment management
Lustucru Riz	99.8%	99.8%	Panzani	Panzani	Lyon (France)	In liquidation
Lustucru Frais	99.8%	99.8%	Panzani	Panzani	Lyon (France)	Production and sale of fresh pasta
Grands Moulins Maurel	99.8%	99.8%	Panzani	Panzani	Lyon (France)	Production and sale of flour and semolina
Silo de la Madrague	100.0%	100.0%	Panzani	Panzani	Lyon (France)	Production and sale of flour and semolina
Rizerie Franco Americaine et Col., S.A.	100.0%	100.0%	Panzani	Panzani	Paris (France)	Production and sale of rice
Bosto Panzani Benelux, S.A.	100.0%	100.0%	Boost/Pzni	Boost/Pzni	Merksem (Belgium)	Sale of rice and pasta
Ronzoni Pty.	100.0%	100.0%	NWVP	NWVP	Montreal (Canada)	Production and sale of pasta and sauces
T.A.G. Nahrungsmittel GmbH.	100.0%	100.0%	Birkel	Birkel	Stuttgart (Germany)	Dormant
Bertolini Import Export GmbH.	100.0%	100.0%	Birkel	Birkel	Mannheim (Germany)	Dormant
Mowe Teigwaren GmbH	100.0%	100.0%	Birkel	Birkel	Waren (Germany)	Production and sale of pasta and sauces

(a) These companies made up the dairy product business which was sold in 2010 and discontinued in 2009 and 2010 (see Note 7).

(b) Associates accounted for using the equity method.

(c) The Parent's directors consider that the percentage of direct control held at 31 December 2010 by Ebro Foods, S.A. over Biosearch, S.A. (formerly Puleva Biotech, S.A.) (50.90%) is a controlling interest and, therefore, Biosearch, S.A. was fully consolidated. However, on 13 January 2011, the interest in this company was disposed of (see Note 31, Events After the Reporting Period).

None of the subsidiaries or associates is officially listed, except for Biosearch, S.A., whose shares are traded on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges. All of the company's shares are officially listed. The shares were admitted to trading on 17 December 2001 and their market price at 31 December 2010 was EUR 0.62 per share (2009: EUR 0.94 per share).

The financial statements of all the consolidated companies were at 31 December 2010 and 2009.

## 5. Most significant corporate transactions (business combinations and/or sales) in 2010 and 2009 and effect on comparability

### 5.1 Intra-Group transactions in 2009

Effective 1 January 2009, Exxentia Grupo Fitoterapéutico, S.A. was merged into (absorbed by) Biosearch, S.A. (formerly Puleva Biotech, S.A.). There were no significant intra-Group corporate transactions in 2009.

### 5.2 Intra-Group transactions in 2010

Some companies that were part of the dairy product business and were practically dormant were transferred, prior to the sale of this business, to other Group companies without any impact on the consolidated financial statements. There were no other significant intra-Group corporate transactions in 2010.

### 5.3 Corporate transactions affecting the scope of consolidation in 2010 and 2009 and effect on comparability. Changes in the scope of consolidation

In 2009, except for the merger described in Note 5.1 above, there were other changes in the scope of consolidation, the most significant of which were as follows:

#### INCLUSIONS IN THE SCOPE OF CONSOLIDATION IN 2009

Company affected	Subgroup	%	Comments
Katania Magreb, Ltda.	Herba	50%	Acquisition up to 100%

#### EXCLUSIONS FROM THE SCOPE OF CONSOLIDATION IN 2009

Company affected	Subgroup	%	Comments
Azucarera Ebro, S.L. and subsidiaries composing the sugar business	Sugar	100%	Sale of entire ownership interest (see Note 7)
Jonesboro Gasifier, Inc. / Jonesboro Power island, Inc. / Stuttgart Power Island, Inc.	Riviana	100%, 49% and 51%	Sale of entire ownership interest in these companies (combined heat and power generation)
Biocarburantes de Castilla y León, S.A.	Other	50%	Sale of entire ownership interest
Biosearch, S.A. (formerly Puleva Biotech, S.A.)	Other	0.2%	Sale of this % of ownership

Of the charges shown in the table above, the exclusions in 2009, except for the sale of the sugar business (see Note 7), did not have any significant effects on comparability.

In 2010, except for the merger described in Note 5.2 above, there were other changes in the scope of consolidation, the most significant of which were as follows:

#### EXCLUSIONS FROM THE SCOPE OF CONSOLIDATION IN 2010

Company affected	Subgroup	%	Comments
Puleva Food, S.L., Lactimilk, S.A., and subsidiaries composing the dairy product business	Dairy product	100%	Sale of entire ownership interest (see Note 7)
Lince Insurance Ltd.	Other	100%	Liquidation of the company

The sale of the dairy product business was agreed on 30 March 2010. The conclusion of the sale was subject to approval by the European competition authorities, which was granted in August 2010 and the sale was formalised on 2 September 2010. Accordingly, the income and expenses of the dairy product business for the first eight months of 2010 and for all of 2009 were reclassified and presented in the accompanying consolidated income statements for both years as net profits or losses from discontinued operations (see Note 7).

The remaining exclusions for 2010 do not have a significant impact on the comparability with 2009.

#### 5.4 Investment commitments at 2010 year-end

On 25 November 2010, the Board of Directors of Ebro Foods, S.A. reached an agreement with the Board of Directors of the SOS Group to acquire its rice division for an initial estimated amount of EUR 195 million. On 31 March 2011, a framework agreement is expected to be entered into which will include the terms and conditions for the transfer of the rice divisions in Spain, the Netherlands and the US. The price agreed upon by the parties for the transfer of the businesses amounts to approximately EUR 197 million. This amount includes adjustments to the initial estimated price relating to the overhead costs to be ultimately transferred with the businesses and which are inherent thereto.

The definitive completion of the transaction was subject to the approval of SOS's creditor banks, which was granted in December 2010, and to approval of the competition authorities, which is currently being processed. It is estimated that formalisation and execution of this agreement with the SOS Group will be completed in the first half of 2011.

In addition, also in relation to the offer made by Ebro Foods, S.A. on 25 November 2010, on 30 March 2011, the acquisition of the SOS Group's rice trademarks in the Portuguese market was formalised for approximately EUR 8 million.

On 25 November 2010, the Board of Directors of Ebro Foods, S.A. resolved to acquire the Australian Group, Ricegrowers Limited-SunRice (SunRice), having completed the due diligence for this Group and finalised the wording of the definitive terms of the agreement (Scheme Implementation Agreement, SIA), which will be submitted for approval by SunRice's shareholders in May. In accordance with the definitive terms of the transaction, Ebro Foods, S.A. will purchase all of the share capital of SunRice for AUD 600 million (approximately EUR 440 million). As part of the agreements reached, Ebro will sign a Rice Acquisition Framework Agreement for the coming years, establishing a number of general principles to apply upon completion of the transaction, whereby SunRice undertakes to purchase rice harvests from Australian farmers using price-setting mechanisms, create a Farmers' Advisory Council and make a commitment towards the development of local communities and the promotion of R&D+i.

The acquisition of SunRice is subject to the approval of 75% or more of the votes of the company's shareholders, and in conformity with Australian legislation, the approval of the Australian courts and competition authorities of the respective countries. In this respect, SunRice's shareholders will foreseeably approve the transaction in May 2011, subject to compliance with all the terms and conditions agreed upon in the SIA and the relevant approvals from the regulatory authorities.

## 6. Segment reporting

The operating segments are organised and managed separately on the basis of the nature of the products and services provided, and each segment represents a strategic business unit that offers different products and serves different markets. Therefore, the Group's segment reporting is organised by business segments since the risks and rates of return of the Group are affected mainly by differences in the products and services offered.

As indicated in Note 7, in 2010 the dairy product business was sold. Following the sale, the Ebro Foods Group continued to be divided into the following lines of business and/or activities:

- ▶ Rice business
- ▶ Pasta business
- ▶ Other businesses and/or activities

These businesses and/or activities constitute the basis for the Group's segment reporting. The financial information relating to these operating segments is presented in the table at the end of this Note.

### Rice business

**Herba Group:** this is the Group's business unit that specialises in the rice business. The Group has consolidated its position as the leading rice group in Europe and as one of the most important in the world. It has an extensive and modern structure of production facilities and sales networks with which it maintains commercial relations in more than 60 countries.

It has a portfolio of trademarks that include the most successful and prestigious in the market. It is a rice group with a multi-brand strategy. In addition, the Group acts as a rice supplier for the leading European food companies:

- ▶ Beverage industries.
- ▶ Industrial rice companies.
- ▶ Infant food: cereals, babyfood, etc.
- ▶ Pre-cooked ready meals: non-refrigerated, dehydrated, frozen, etc.
- ▶ Animal and pet food.

Through the Herba Group, the Group is the leader in the Spanish market (Herba Nutrición) and in part of Europe (Herba Foods) in rice for direct consumption and industrial uses.

**Riviana Group:** this is the Group's unit that specialises in the rice business in the US through Riviana Inc., the largest rice company in the US.

Riviana is the leading seller of rice in 19 of the 20 largest consumer markets in the US. Through its extensive distribution network, the company markets its products under several brand names, including "Mahatma," the top selling brand of the last ten years.

### Pasta business

**Panzani Group and Birkel Group:** this unit specialises in the pasta and sauce business. The French Group Panzani is the leader in France in pastas, rice, semolina and sauces. The German Birkel Group is the leader in the German pasta sector.



Panzani is also the German market leader in rice through two brands: Lustucru, for conventional rice, and Taureau Ailé, for exotic rice. Panzani has steadily increased its market share since 1997, growing faster than the rest of the industry. The fresh sauce and fresh pasta product lines combine to make a high value added offer to consumers. It is a leading company in Belgium and the Czech Republic.

In the semolina business, Panzani is the market leader in terms of volume and operates with the Regia and Ferrero brand names. The German Group operates in the pasta business with the Birkel and 3Glocken brand names.

**New World Pasta Group:** New World Pasta is a leading company in the dry pasta sector in the US and Canada with an extensive, complementary and solid portfolio of brand names with market shares of 23.9% and 34.8%, respectively.

The most representative brand names are Ronzoni, Skinner, Prince, American Beauty, San Giorgio and Creamette in the US, and Catelli, Lancia and Ronzoni in Canada. Its production facilities are located in Montreal (Quebec), Fresno (California), Saint Louis (Missouri) and Winchester (Virginia).

#### **Other businesses and/or activities:**

The other businesses and/or activities include most notably the following:

**Biosearch, S.A. (formerly Puleva Biotech, S.A.):** This unit engages in biotechnology, the development and marketing of new products based on natural substances with positive effects on human health; products which enhance the quality of life for the population as a whole by reducing the incidence of certain illnesses.

The R&D projects are the Group's basis for creating value. The ultimate aim of these R&D projects is to make the Group number one in the development of natural products for the functional and pharmaceutical food market.

**Asset management:** This unit specialises in managing the Group's investment property. It controls all of the Group's properties, analysing their status and reducing costs, disposing of buildings not used for industrial activities and taking the necessary measures to ensure that their value is maximised prior to their sale.

#### **Basis and methodology for segment reporting**

The restructuring and re-adaptation processes that have taken place in recent years at the Group have made it possible to establish the size of each of the main businesses separately, which facilitates management and decision-making and improves financial control. Therefore, the consolidated expenses, income, assets and liabilities directly pertaining to each segment are allocated to that segment. It was not necessary to establish criteria for allocating common expenses and income and common assets and liabilities to the segments.



In this regard, although the structure of non-financial non-current assets and liabilities and current assets and liabilities corresponds to the needs of each business or activity, it should be noted that the financial structure of the accompanying balance sheets by segment was established on the basis of internal financial management criteria based on an appropriate and necessary degree of centralisation and coordination at Group level.

### Inter-segment transactions

Although the inter-segment transactions are not significant with respect to the total consolidated figures, in order to determine the income, expenses and profit or loss of the segments the inter-segment transactions were included. These transactions are measured at the market prices at which similar goods and services are billed to non-Group customers. These transactions were eliminated on consolidation.

### 6.1 Geographical information

The geographical information was determined on the basis of the location of the Group's assets. The sales to non-Group customers are based on the geographical location of the customers. The geographical areas in which each of the Group's operating segments operates were stated in the preceding description of the operating segments. The businesses and/or activities carried on by the Group are summarised by geographical area as follows:

- ▮ In Spain - the rice business of Herba.
- ▮ In the rest of Europe - basically the businesses of Herba, Panzani and Birkel.
- ▮ In the US - the businesses of Riviana and NWP.
- ▮ Rest of the world - basically the rice business of Herba, plus a portion of the exports of Panzani.

The breakdown of the assets and revenue by geographical market of the activities, without considering the place in which the goods are produced, is as follows:

#### 2009 - GEOGRAPHICAL AREA

	Spain	Europe	America	Other	Total
Segment revenue	131,549	982,984	690,239	58,137	1,862,909
Inter-segment sales	(10,939)	(60,198)	(26,375)	0	(97,512)
<b>Total revenue</b>	<b>120,610</b>	<b>922,786</b>	<b>663,864</b>	<b>58,137</b>	<b>1,765,397</b>
Intangible assets	21,783	118,749	154,912	78	295,522
Property, plant and equipment	185,894	186,854	151,337	20,644	544,729
Other assets	482,777	791,553	542,436	27,448	1,844,214
<b>Total assets</b>	<b>690,454</b>	<b>1,097,156</b>	<b>848,685</b>	<b>48,170</b>	<b>2,684,465</b>
<b>Non-current asset additions</b>	<b>6,363</b>	<b>18,597</b>	<b>54,983</b>	<b>877</b>	<b>80,820</b>

#### 2010 - GEOGRAPHICAL AREA

	Spain	Europe	America	Other	Total
Segment revenue	117,023	928,966	686,559	77,763	1,810,311
Inter-segment sales	(8,105)	(58,218)	(41,965)	0	(108,288)
<b>Total revenue</b>	<b>108,918</b>	<b>870,748</b>	<b>644,594</b>	<b>77,763</b>	<b>1,702,023</b>
Intangible assets	6,026	120,713	166,649	73	293,461
Property, plant and equipment	76,323	189,158	164,532	19,581	449,594
Other assets	753,455	809,682	552,846	25,992	2,141,975
<b>Total assets</b>	<b>835,804</b>	<b>1,119,553</b>	<b>884,027</b>	<b>45,646</b>	<b>2,885,030</b>
<b>Non-current asset additions</b>	<b>11,344</b>	<b>27,773</b>	<b>30,949</b>	<b>508</b>	<b>70,574</b>

### 6.2 Operating segments

The following tables present information on the revenue and profit or loss of the continuing operations and certain information on assets and liabilities relating to the Group's operating segments for the years ended 31 December 2010 and 2009:



**INFORMATION ON OPERATING SEGMENTS - CONTINUING OPERATIONS**

EBRO FOODS GROUP (Thousand of euro)	Total consolidated figures		Rice business		Pasta business		EF holding company		Other businesses and consolidation adjustments	
	12-31-10	12-31-09	12-31-10	12-31-09	12-31-10	12-31-09	12-31-10	12-31-09	12-31-10	12-31-09
<b>INCOME STATEMENT</b>										
External revenue	1,702,023	1,765,397	766,505	791,452	898,803	909,797	1,098	69	35,617	64,079
Net inter-segment revenue		0	45,053	45,697	17,298	19,198	3,486	75,448	(65,837)	(140,343)
<b>Total revenue</b>	<b>1,702,023</b>	<b>1,765,397</b>	<b>811,558</b>	<b>837,149</b>	<b>916,101</b>	<b>928,995</b>	<b>4,584</b>	<b>75,517</b>	<b>(30,220)</b>	<b>(76,264)</b>
Changes in inventories	(4,902)	(31,565)	(4,354)	(31,296)	(1,971)	856	0	0	1,423	(1,125)
Capitalised expense of Group work on non-current assets	959	193	18	13	941	171	0	0	0	9
Other operating income	34,408	38,381	23,333	5,594	7,926	3,748	521,184	140,628	(518,035)	(111,589)
Materials consumed and other expenses	(831,438)	(909,278)	(445,948)	(472,397)	(430,890)	(473,178)	0	0	45,400	36,297
Staff costs	(243,843)	(225,600)	(92,687)	(82,336)	(131,165)	(125,371)	(11,574)	(8,515)	(8,417)	(9,378)
Depreciation and amortisation charge	(58,629)	(53,158)	(28,251)	(21,009)	(26,749)	(28,253)	(709)	(360)	(2,920)	(3,536)
Other operating expenses	(397,541)	(409,329)	(164,172)	(153,529)	(220,471)	(202,763)	(50,308)	(33,206)	37,410	(19,831)
<b>Profit or loss from operations</b>	<b>201,037</b>	<b>175,041</b>	<b>99,497</b>	<b>82,189</b>	<b>113,722</b>	<b>104,205</b>	<b>463,177</b>	<b>174,064</b>	<b>(475,359)</b>	<b>(185,417)</b>
Finance income	21,870	22,861	15,158	16,949	1,778	2,932	17,923	5,071	(12,989)	(2,091)
Finance expenses	(31,128)	(44,654)	(14,995)	(22,073)	(4,944)	(6,206)	(47,375)	(17,833)	36,186	1,458
Impairment losses on goodwill	(177)	(28,138)	(177)	(185)	0	(15,953)	0	0	0	(12,000)
Share of results of associates	1,760	(674)	1,752	1,638	0	(11)	0	0	8	(2,301)
<b>Consolidated profit or loss before tax</b>	<b>193,362</b>	<b>124,436</b>	<b>101,235</b>	<b>78,518</b>	<b>110,556</b>	<b>84,967</b>	<b>433,725</b>	<b>161,302</b>	<b>(452,154)</b>	<b>(200,351)</b>

## 7. Discontinued operations

On 30 March 2010, Ebro Foods, S.A., which wholly owned its dairy product business (Puleva Food, S.L. and Lactimilk, S.A.) and Grupo Lactalis Iberia, S.A. (GLI), entered into an agreement for the sale and purchase of the companies composing the dairy product business. The conclusion of the sale and purchase was subject to approval by the European competition authorities, which was granted in August 2010. The sale was formally executed on 2 September 2010.

The terms of the transaction were that GLI acquired the dairy product business for an amount clear of debt of EUR 630 million, which, at the date of execution, following the working capital and debt adjustments agreed upon, resulted in a total price of EUR 644 million.

Based on all the foregoing, and in accordance with current accounting legislation, the income and expenses of the dairy product business for the first eight months of 2010 and for all of 2009 were reclassified and presented in the accompanying consolidated income statements for the two periods as net profit from discontinued operations, the impact of which is summarised below:

(Thousand of euro)	2010		2009	
	Dairy product business	Sugar business	Dairy product business	Sugar business
	8 months	Various	12 months	4 months
Income (revenue)	292,002	0	432,334	155,017
Changes in inventories	(955)	0	6,329	(18,028)
Capitalised expenses of Group work on non-current assets	948	0	1,843	975
Other operating income	3,746	0	5,160	2,825
	295,741	0	445,666	140,789
Materials consumed and other expenses	(167,791)	0	(257,316)	(100,933)
Staff costs	(31,907)	0	(47,375)	(19,734)
Depreciation and amortisation charge	(9,555)	0	(14,886)	(2,024)
Outside services	(51,867)	0	(76,009)	(19,350)
Other operating expenses	(7,259)	0	(2,803)	(4,422)
	(268,379)	0	(398,389)	(146,463)
<b>Profit (Loss) from operations</b>	<b>27,362</b>	<b>0</b>	<b>47,277</b>	<b>(5,674)</b>
Net finance costs	909	0	1,286	(2,998)
Impairment of good will	(5)	0	(8)	0
<b>Consolidated profit (loss) before tax</b>	<b>28,266</b>	<b>0</b>	<b>48,555</b>	<b>(8,672)</b>
Income tax	(5,295)	0	(12,200)	5,039
<b>Consolidated profit (loss)</b>	<b>22,971</b>	<b>0</b>	<b>36,355</b>	<b>(3,633)</b>
Gain on the sale of the business before income tax	405,257	(7,999)	0	114,489
Decrease in profit due to guarantees provided to the buyer in connection with the outcome of outstanding litigation relating to the business (provision) - see Note 21	(28,231)	(13,064)	0	(57,387)
Income tax on the gain on the sale	(119,051)	(358)	0	(10,281)
	280,946	(21,421)	36,355	43,188
<b>Total net profit from discontinued operations</b>	<b>259,525</b>		<b>79,543</b>	

The sale of the sugar business was executed on 30 April 2009. Accordingly, in the first half of 2009 it was still recognised as a discontinued activity. In 2010 a loss of EUR 21,063 thousand was recognised before the income tax effect. The amounts recognised in profit or loss for 2010 result from new events that occurred during the year that affect both the estimates of the security interests provided to the purchaser of the sugar business and the selling price of this business by partially reducing the uncollected amounts that were deferred:

- As indicated in Note 21, on 20 July 2010, the Criminal Chamber of the Supreme Court handed down an unfavourable judgment whereby, in accordance with the commitments and guarantees assumed by Ebro Foods, S.A., as the seller, on 21 July 2010, the former paid ABF EUR 27.6 million. The interest that will foreseeably be paid in the coming months remains outstanding. With respect to the remaining guarantees for which provisions were recognised, there were no material changes in their position compared to the previous year. In 2010 the Company decided to increase the provision for these guarantees in order to cover all of the risk, which gave rise to an increased expense in 2010 of EUR 13,064 thousand.

- ▶ In addition, since it was ultimately not possible to collect certain amounts that were expected to be collected as a portion of the selling price and from the definitive settlement of the restructuring costs relating to the CMO of the sugar sector, an additional expense of EUR 7,999 thousand was recognised in 2010.

## 8. Other income and expenses

### 8.1 Other operating income (continuing operations)

	2010	2009
Government grants (related to income and to assets)	3,024	4,764
Income from CO <sub>2</sub> emission allowances	149	1,047
Other current operating income	7,877	4,270
Gains on non-current asset disposals	15,376	9,036
Gains on disposals of investment property	227	538
Gains on disposals of equity investments	0	14,027
Income from reversals of impairment losses on non-current assets	2,424	37
<b>Other income</b>	5,331	4,662
Income from litigation (provisions recovered)	3,123	3,826
Other more minor items of income	2,208	836
	<b>34,408</b>	<b>38,381</b>

The other operating income in 2010 includes the following non-recurrent items:

- ▶ A gain of EUR 15,376 thousand on the sale of property, plant and equipment.
- ▶ Indemnities received amounting to EUR 3,123 thousand from a dispute concluded by an out-of-court settlement.
- ▶ The rest of the other operating income relates to grants, income from CO<sub>2</sub> emission allowances and other more minor amounts of operating income.

The other operating income in 2009 includes the following non-recurrent items:

- ▶ A gain of EUR 9,036 thousand on the sale of property, plant and equipment (mainly relating to one of the properties in northern Spain).
- ▶ A gain of EUR 13,980 thousand on the sale of the entire ownership interest in the associate Biocarburantes de Castilla y León, S.A.
- ▶ Reversals of provisions for disputes amounting to EUR 3,826 thousand.
- ▶ The rest of the other operating income relates to grants, income from CO<sub>2</sub> emission allowances and other more minor amounts of operating income.

## 8.2 Other operating expenses (continuing operations)

	2010	2009
External expenses and outside services	(268,484)	(268,730)
Advertising expenditure	(80,473)	(75,750)
Research and development expenditure	(4,605)	(5,865)
Expenses relating to CO <sub>2</sub> emission allowances	(149)	(1,047)
Taxes other than income tax	(8,589)	(14,012)
Losses on disposals of non-current assets and impairment losses	(11,282)	(34,616)
<b>Other expenses and provisions recognised</b>	<b>(23,959)</b>	<b>(9,309)</b>
Provision for litigation and disputes	(4,594)	(3,383)
Sundry industrial restructuring costs	(15,928)	(2,660)
Other more minor expense items	(3,437)	(3,266)
	<b>(397,541)</b>	<b>(409,329)</b>

The other operating expenses in 2010 include the following non-recurrent items:

- ▶ Losses of EUR 1,009 thousand on the derecognition or disposal of various items of industrial equipment and fixtures.
- ▶ Recognition of an impairment loss of EUR 8,270 thousand on property, plant and equipment, of which the most significant portion amounting to EUR 6,326 thousand was recognised at year-end due to the forecast closure in the second half of 2010 of the Houston (USA) plant.
- ▶ Period provision of EUR 4,594 thousand for certain legal proceedings in process.
- ▶ Expenses of EUR 15,928 thousand arising from various industrial restructuring processes, of which the most significant portion amounting to EUR 11,023 thousand relate to the pasta business.

The other operating expenses in 2009 include the following non-recurrent items:

- ▶ Losses of EUR 5,449 thousand on the derecognition or disposal of various items of industrial equipment and fixtures. The most significant is the loss of EUR 2,389 thousand on the sale of industrial combined heat and power generation equipment.
- ▶ Recognition of an impairment loss of EUR 11,159 thousand on property, plant and equipment.
- ▶ Recognition of an impairment loss of EUR 5,000 thousand on intangible assets. This impairment loss relates to one of the trademarks the value of which is expected to recover in the future.
- ▶ Period provision of EUR 3,023 thousand for certain legal proceedings in process.
- ▶ Expenses of EUR 2,895 thousand arising from various labour force restructuring processes.
- ▶ Expense (reduction in sale proceeds) of EUR 12,877 thousand arising from the out-of-court settlement in June 2009 with the buyer of the land of the former sugar refinery in Alagón (Zaragoza).

### Finance costs and income (continuing operations)

	2010	2009
<b>Finance costs</b>		
On payables to third parties	(11,709)	(25,355)
On financial adjustment of provisions for litigations	(1,591)	(1,690)
On financial cost of pensiones and similar obligations	(917)	(983)
Losses on derecognition or disposal of financial assets and liabilities	0	(160)
Provisions for impairment of financial assets	(1,953)	(1,164)
Expenses and losses relating to derivatives and financial instruments	(829)	(835)
Exchange losses	(14,129)	(14,467)
	<b>(31,128)</b>	<b>(44,654)</b>
<b>Finance income</b>		
On investments with third parties	7,784	4,507
On financial income from pensions and similar obligations	25	0
Gains on derecognition or disposal of financial assets and liabilities	12	92
Impairment losses on financial assets reversed	911	1,269
Gains on derivatives and financial instruments	982	578
Exchange gains	12,156	16,415
	<b>21,870</b>	<b>22,861</b>
<b>Net finance costs</b>	<b>(9,258)</b>	<b>(21,793)</b>

### 8.3 Staff costs (continuing operations)

	2010	2009
Wages and salaries	(188,651)	(170,957)
Other employee benefit costs	(16,246)	(15,210)
Social security and similar costs	(32,792)	(31,534)
Termination benefits	(23)	(126)
Post-employment benefit and similar costs	(6,131)	(7,773)
	<b>(243,843)</b>	<b>(225,600)</b>

The detail of the average number of employees in 2010 and 2009 and of the 2010 and 2009 year-end headcounts at the Group companies (taking into account the changes on the scope of consolidation during the period) is as follows:

**AVERAGE NUMBER 2009**

	Men		Women		Total
	Permanent	Temporary	Permanent	Temporary	
Executives	128	0	49	0	177
Supervisors	384	7	144	11	546
Clerical staff	186	15	317	23	541
Assistants	89	5	34	5	133
Sales personnel	151	3	70	1	225
Other staff	1,975	492	506	40	3,013
	<b>2,913</b>	<b>522</b>	<b>1,120</b>	<b>80</b>	<b>4,635</b>
Dairy product business (sold in 2010)	785	74	174	25	1,058
<b>Total</b>	<b>3,698</b>	<b>596</b>	<b>1,294</b>	<b>105</b>	<b>5,693</b>

**AVERAGE NUMBER 2010**

	Men		Women		Total
	Permanent	Temporary	Permanent	Temporary	
Executives	127	1	52	0	180
Supervisors	412	5	149	15	581
Clerical staff	183	16	313	25	537
Assistants	88	7	34	8	137
Sales personnel	146	4	62	2	214
Other staff	2,010	705	498	122	3,335
	<b>2,966</b>	<b>738</b>	<b>1,108</b>	<b>172</b>	<b>4,984</b>

**YEAR-END HEADCOUNT 2009**

	Men		Women		Total
	Permanent	Temporary	Permanent	Temporary	
Executives	128	0	50	0	178
Supervisors	395	9	143	14	561
Clerical staff	187	9	318	25	539
Assistants	89	5	34	5	133
Sales personnel	152	3	68	1	224
Other staff	1,907	394	498	32	2,831
	<b>2,858</b>	<b>420</b>	<b>1,111</b>	<b>77</b>	<b>4,466</b>
Dairy product business (sold in 2010)	784	72	176	29	1,061
<b>Total</b>	<b>3,642</b>	<b>492</b>	<b>1,287</b>	<b>106</b>	<b>5,527</b>

**YEAR-END HEADCOUNT 2010**

	Men		Women		Total
	Permanent	Temporary	Permanent	Temporary	
Executives	125	1	52	0	178
Supervisors	407	8	151	20	586
Clerical staff	187	15	315	30	547
Assistants	91	6	34	9	140
Sales personnel	132	5	57	2	196
Other staff	1,931	489	444	81	2,945
	<b>2,873</b>	<b>524</b>	<b>1,053</b>	<b>142</b>	<b>4,592</b>



## 9. Intangible assets

The detail of the consolidated Group's intangible assets at 31 December 2010 and 2009, of the related accumulated amortisation and impairment losses and of the changes therein each year is as follows (in thousands of euros):

Carrying amounts	Development expenditure	Trademarks and patents	Computer software	CO <sub>2</sub> emission allowances and other	Intangible assets in progress	Total
Balance at 31 December 2008	4,070	284,847	8,061	2,799	518	300,295
Balance at 31 December 2009	4,192	279,357	8,481	2,555	937	295,522
Balance at 31 December 2010	15	280,209	7,625	558	5,054	293,461

Gross cost	Development expenditure	Trademarks and patents	Computer software	CO <sub>2</sub> emission allowances and other	Intangible assets in progress	Total
<b>Balance at 31 December 2008</b>	<b>8,774</b>	<b>290,246</b>	<b>28,723</b>	<b>2,818</b>	<b>518</b>	<b>331,079</b>
Business combination						0
Sales of businesses						0
Increases in the year	1,368	3,487	4,384	2,528	922	12,689
Decreases in the year	(246)	(195)	(784)	(2,768)		(3,993)
Translation differences		(3,607)	(292)		(8)	(3,907)
Assets classified as held for sale						0
Transfers	518		99		(495)	122
<b>Balance at 31 December 2009</b>	<b>10,414</b>	<b>289,931</b>	<b>32,130</b>	<b>2,578</b>	<b>937</b>	<b>335,990</b>
Business combination	0					0
Sales of businesses	(9,210)	(9,348)	(10,331)	(1,632)	(772)	(31,293)
Increases in the year	1	197	3,294	2,304	4,871	10,667
Decreases in the year	(216)	(27)	(4)	(2,663)		(2,910)
Translation differences		12,328	816		18	13,162
Assets classified as held for sale						0
Transfers	(34)	3	(4)			(35)
<b>Balance at 31 December 2010</b>	<b>955</b>	<b>293,084</b>	<b>25,901</b>	<b>587</b>	<b>5,054</b>	<b>325,581</b>

### ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES

	Development expenditure	Trademarks and patents	Computer software	CO <sub>2</sub> emission allowances and other	Intangible assets in progress	Total
<b>Balance at 31 December 2008</b>	<b>(4,704)</b>	<b>(5,399)</b>	<b>(20,662)</b>	<b>(19)</b>	<b>0</b>	<b>(30,784)</b>
Business combination						0
Sales of businesses						0
Increases in the year	(1,410)	(5,509)	(3,928)	(4)		(10,851)
Decreases in the year	140	195	720			1,055
Translation differences		9	144			153
Assets classified as held for sale						0
Transfers	(248)	130	77			(41)
<b>Balance at 31 December 2009</b>	<b>(6,222)</b>	<b>(10,574)</b>	<b>(23,649)</b>	<b>(23)</b>	<b>0</b>	<b>(40,468)</b>
Business combination						0
Sales of businesses	5,983	178	9,207			15,368
Increases in the year	(951)	(2,275)	(3,637)	(6)		(6,869)
Decreases in the year	216	25	13			254
Translation differences		4	(444)			(440)
Assets classified as held for sale						0
Transfers	34	(233)	234			35
<b>Balance at 31 December 2010</b>	<b>(940)</b>	<b>(12,875)</b>	<b>(18,276)</b>	<b>(29)</b>	<b>0</b>	<b>(32,120)</b>

The trademarks and patents included in intangible assets were acquired directly or through business combinations. Substantially all these intangible assets were regarded as having an indefinite useful life and they were measured using the cost model. In 2010 and 2009 the most significant of these assets were tested for impairment (by independent valuers -American Appraisal-) and the following carrying amounts were allocated to the following cash-generating units:

- ▶ EUR 13,293 thousand (2009: EUR 15,043 thousand) of the carrying amount of the trademarks were allocated to the Herba Germany cash-generating unit of the Herba rice business segment.
- ▶ EUR 90,909 thousand (2009: EUR 84,082 thousand) of the carrying amount of the trademarks were allocated to the cash-generating unit of the US Riviana rice business segment.
- ▶ EUR 83,182 thousand (2009: EUR 83,182 thousand) of the carrying amount of the trademarks were allocated to the cash-generating unit of the French Panzani pasta business segment.
- ▶ EUR 0 (2009: EUR 9,150 thousand) of the carrying amount of the trademarks were allocated to the Puleva Infantil cash-generating unit as part of the dairy product business segment, which was sold in 2010.
- ▶ EUR 71,460 thousand (2009: EUR 65,725 thousand) of the carrying amount of the trademarks were allocated to the cash-generating unit of the US NWP pasta business segment.
- ▶ EUR 13,409 thousand (2009: EUR 13,408 thousand) of the carrying amount of the trademarks were allocated to the cash-generating unit of the European Birkel pasta business segment.
- ▶ EUR 3,752 thousand (2009: EUR 3,752 thousand) of the carrying amount of the trademarks and other similar intangible assets were allocated to the Biosearch, S.A. cash-generating unit.
- ▶ EUR 4,000 thousand (2009: EUR 4,000 thousand) of the carrying amount of the trademarks were allocated to the Risella (Finland) cash-generating unit as part of the Herba rice business segment.

The recoverable amount of these trademarks, or of the cash-generating units to which they belong, 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 range from 6.8% to 7.1%, depending on the geographical area in which the trademark or cash-generating unit 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 0.0% and 2% 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 carrying amount of these trademarks to above their recoverable amount.

#### **Changes in the year**

In 2009 the most significant changes in "Intangible Assets" were as follows:

- ▶ Increase of EUR 12,689 thousand relating to new intangible assets: acquisition of the Cateli trademark by NWP (US), the White Tower trademark by S&B (UK), computer software (EUR 4,384 thousand) and CO2 emission rights (EUR 2,528 thousand).

- Net decrease of EUR 3,754 thousand due to translation differences.

In 2009 CO<sub>2</sub> emission rights amounting to EUR 2,768 thousand were derecognised and there were other non-material additions and reductions.

In 2010 the most significant changes in "Intangible Assets" were as follows:

- Increase of EUR 10,667 thousand relating to new intangible assets, mostly the acquisition of computer hardware and, to a lesser extent, CO<sub>2</sub> allowances.
- Increase of EUR 12,722 relating to translation differences.
- Decrease relating to the amortisation charge for the year and impairment losses of EUR 5,077 thousand and EUR 1,792 thousand, respectively.
- Decrease of EUR 15,923 thousand due to the sale of the dairy product business.

In 2010 CO<sub>2</sub> emission rights amounting to EUR 2,663 thousand were derecognised and there were other non-material additions and reductions.

Therefore, at 31 December 2010, "Trademarks" included mainly:

- those acquired in 2003 and 2004 (Reis Fit and Risella);
- those contributed by the Riviana Group in 2004 (basically the seven most significant trademarks with which it operates);
- those contributed by the Panzani Group in 2005 (the four most significant trademarks);
- those contributed by the NWP Group in 2006 (its eight main trademarks);
- the acquisition in October 2006 of the US Minute Rice rice trademarks;
- the two trademarks of the German Birkel Group acquired in 2007;
- the trademarks and similar intangible assets of the Exxentia Group acquired in 2008; and
- the trademarks acquired in 2009: acquisition of the Cateli trademark by NWP (US) and the White Tower trademark by S&B (UK).

The charges and, where applicable, credits relating to these non-current assets amounted to EUR 5,077 thousand and EUR 1,792 thousand, respectively in 2010 and EUR 0 thousand of losses for the disposal of these assets (2009: EUR 5,851 thousand, EUR 5,000 thousand, and EUR 0, respectively).

It should be taken into account that EUR 1,457 thousand of the aforementioned amortisation charge for 2010 (2009: EUR 2,433 thousand) should be deducted in relation to the assets of the dairy product business, the income and expenses of which were reclassified to discontinued operations (see Note 7).

The impairment of intangible assets in 2009 amounting to EUR 5,000 thousand related to the impairment loss on one of the trademarks of the Herba Germany cash-generating unit of the Herba rice business. The valuation following the impairment test on this trademark, performed at 31 December 2009, gave rise to the aforementioned impairment loss due to the unfavourable sales performance in 2009 and the fall in forecast future sales.

## 10. Property, plant and equipment

The detail of the consolidated Group's property, plant and equipment at 31 December 2010 and 2009, of the related accumulated depreciation and impairment losses and of the changes therein each year is as follows (in thousands of euros):

Carrying amounts	Land	Buildings	Plant and machinery	Other fixtures, tools and furniture	Other items of plant and equipment	Property, plant and equipment in the course of construction	Total
Balance at 31 December 2008	75,362	126,394	298,791	18,380	7,494	30,939	557,360
Balance at 31 December 2009	75,411	141,442	275,630	17,386	7,688	27,172	544,729
Balance at 31 December 2010	67,748	126,319	223,695	13,096	4,184	14,552	449,594

Gross cost	Land	Buildings	Plant and machinery	Other fixtures, tools and furniture	Other items of plant and equipment	Property, plant and equipment in the course of construction	Total
Balance at 31 December 2008	75,362	233,893	727,640	45,653	22,039	38,761	1,143,348
Business combination			95				95
Disposals of businesses							0
Increases in the year	4,489	28,852	40,615	2,821	2,064	(5)	78,836
Decreases in the year	(3,788)	(2,825)	(19,768)	(826)	(1,631)		(28,838)
Translation differences	(270)	(1,169)	(2,046)	(9)	56	(505)	(3,943)
Assets classified as held for sale							0
Transfers	(382)	(2,141)	193	527	(613)	(542)	(2,958)
Balance at 31 December 2009	75,411	256,610	746,729	48,166	21,915	37,709	1,186,540
Business combination							0
Disposals of businesses	(8,902)	(42,425)	(163,439)	(10,707)	(11,023)	(903)	(237,399)
Increases in the year	854	9,782	64,928	1,591	2,151	(13,059)	66,247
Decreases in the year	(62)	(1,089)	(21,357)	(342)	(1,008)		(23,858)
Translation differences	1,858	5,104	10,541	129	235	1,419	19,286
Assets classified as held for sale							0
Transfers	(1,411)	1,847	(1,066)	(35)	(476)		(1,141)
Balance at 31 December 2010	67,748	229,829	636,336	38,802	11,794	25,166	1,009,675

### ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES

	Land	Buildings	Plant and machinery	Other fixtures, tools and furniture	Other items of plant and equipment	Property, plant and equipment in the course of construction	Total
Balance at 31 December 2008	0	(107,499)	(428,849)	(27,273)	(14,545)	(7,822)	(585,988)
Business combination			(17)				(17)
Disposals of businesses							0
Increases in the year		(9,114)	(56,769)	(3,736)	(3,059)	(2,715)	(75,393)
Decreases in the year		870	13,067	569	3,115		17,621
Translation differences		155	1,140	10	(23)		1,282
Assets classified as held for sale							0
Transfers		420	329	(350)	285		684
Balance at 31 December 2009	0	(115,168)	(471,099)	(30,780)	(14,227)	(10,537)	(641,811)
Business combination							0
Disposals of businesses		24,740	99,737	8,197	6,895		139,569
Increases in the year		(14,755)	(56,257)	(3,512)	(1,570)	(77)	(76,171)
Decreases in the year		2,534	18,437	323	1,069		22,363
Translation differences		(739)	(4,867)	(112)	(38)		(5,756)
Assets classified as held for sale							0
Transfers		(122)	1,408	178	261		1,725
Balance at 31 December 2010	0	(103,510)	(412,641)	(25,706)	(7,610)	(10,614)	(560,081)

The Group takes out the insurance policies it considers necessary to cover the possible risks that might affect its property, plant and equipment.

The additions to "Property, Plant and Equipment in the Course of Construction" include the amounts relating to the manufacture of new product lines and, in general, to the improvement of the quality of industrial processes, products and environmental conditions.

In relation to certain investments made by various Group companies in 2009 and prior years, grants were obtained from public agencies, the amounts of which are indicated in Note 19.

None of the property, plant and equipment retired from service relate to significant amounts.

#### **Changes in 2009**

The most significant changes in "Property, Plant and Equipment" in 2009 were as follows:

- Net decrease of EUR 2,661 thousand due to translation differences.
- Increase of EUR 78,836 thousand due to the investments in 2009. They relate basically to the new plant of the rice business in the US and the technical improvements and new fixtures at the plants in Denmark and France and of Puleva Biotech.
- Decrease due to the depreciation charge for the year of EUR 61,951 thousand.
- Decrease due to the impairment losses recognised in the year amounting to EUR 13,442 thousand. Of the impairment losses recognised on property, plant and equipment, the most significant amount, EUR 6,189 thousand, related to the foreseen closure in 2010 of the Houston plant (US), and EUR 2,715 thousand and EUR 2,255 thousand related to biodiesel equipment and to combined heat and power generation equipment, respectively.
- Decrease due to transfers to investment property amounting to EUR 2,247 thousand.
- In 2009 the net disposals amounted to EUR 11,217 thousand.

#### **Changes in 2010**

The most significant Changes in "Property, Plant and Equipment" in 2010 were as follows:

- Increase of EUR 13,530 thousand due to translation differences.
- Increase of EUR 66,247 thousand due to the investments in 2010. They relate basically to the new plant of the rice business in the US and the technical improvements and new fixtures at the Panzani and NWP pasta plants.
- Decrease due to the depreciation charge for the year of EUR 63,061 thousand.
- Decrease due to the impairment losses recognised in the year amounting to EUR 13,110 thousand, of which EUR 4,840 thousand related to the dairy product business sold in 2010 and the remaining EUR 8,270 thousand to the other continuing businesses (see Note 8.2).
- Decrease of EUR 97,830 thousand due to the sale of the dairy product business.
- In 2010 net disposals amounted to EUR 3,919 and provisions amounting to EUR 2,424 thousand, which were finally not needed, were reversed.

The depreciation charges and impairment losses relating to these items of property, plant and equipment amounted to EUR 63,061 thousand and EUR 13,110 thousand, respectively in 2010 (2009: EUR 61,951 thousand and EUR 13,442 thousand, respectively).

It should be taken into account that in 2010 EUR 8,073 thousand and EUR 4,840 thousand, respectively, should be deducted from the aforementioned depreciation charge and impairment losses, respectively (2009: EUR 12,385 thousand and EUR 2,283 thousand, respectively), in relation to the assets of the dairy product business the income and expenses of which were reclassified to discontinued operations (see Note 7).

Also, in relation to the sale or disposal of property, plant and equipment in 2010, in some cases, there were losses of EUR 1,220 thousand and, in other cases, there were gains of EUR 15,376 thousand on the sale of these assets (2009: EUR 5,576 thousand and EUR 9,036 thousand, respectively).

Of the impairment losses recognised in 2010 and 2009 on property, plant and equipment, the most significant amounting to EUR 6,326 thousand and EUR 6,189 thousand, respectively, related to the closure of the Houston plant (US) in 2010.

The construction of the new plant of the rice business in Memphis (US) resulted in the decision to close the Houston plant (US) and the transfer of part of the industrial equipment to the new facilities. The final closure of the Houston plant was conditional on the entry into operation and complete start-up of the new plant in Memphis. The final closure of the Houston plant was expected to take place on 30 September 2010 but has currently been postponed until the first quarter of 2011.

Practically all the impairment losses on the industrial assets at the Houston plant relate to the machinery and/or other industrial equipment that could not be transferred to the new Memphis plant. At each year-end the industrial plan of the new plant under construction is reviewed in order to identify any changes in decisions to re-use or not re-use certain machinery and industrial equipment at the current Houston plant.

At 2010 and 2009 year-end, the recoverable amount of the assets at the Houston plant was determined, and was taken to be the higher of value in use or realisable value. Value in use was applied to the industrial machinery and equipment which is not to be transferred until the final closure of the plant, and their useful lives were re-estimated until the closure (given that their realisable value will be zero or very near to zero at that date).

The impairment recognised in both 2010 and 2009 relates to the decline in value of these assets still in operation as a result of the reduction of their useful lives due to the forthcoming closure of the plant.

## 11. Investment property

The detail of the consolidated Group's investment property at 31 December 2010 and 2009, of the related accumulated depreciation and impairment losses and of the changes therein each year is as follows (in thousands of euros):

Carrying amounts	Land	Buildings	Total
Balance at 31 December 2008	19,101	11,425	30,526
Balance at 31 December 2009	18,595	13,557	32,152
Balance at 31 December 2010	19,710	11,542	31,252

	Gross values			Accumulated depreciation and impairment losses		
	Land	Buildings	Total	Land	Buildings	Total
Balance at 31 December 2008	19,522	17,344	36,866	(421)	(5,919)	(6,340)
Business combination			0			0
Sales of businesses			0			0
Increases in the year	611	513	1,124		(242)	(242)
Decreases in the year	(1,361)	(606)	(1,967)		416	416
Translation differences		50	50		(2)	(2)
Transfers	381	2,600	2,981	(137)	(597)	(734)
Balance at 31 December 2009	19,153	19,901	39,054	(558)	(6,344)	(6,902)
Business combination			0			0
Sales of businesses	(28)	(1,104)	(1,132)		811	811
Increases in the year	1,008	150	1,158		(46)	(46)
Decreases in the year	(1,299)	(146)	(1,445)	421	42	463
Translation differences	(1)	23	22		(4)	(4)
Transfers	1,461	(2,903)	(1,442)	(447)	1,162	715
Balance at 31 December 2010	20,294	15,921	36,215	(584)	(4,379)	(4,963)

The depreciation charge for 2010 amounted to EUR 46 thousand (2009: EUR 242 thousand) and impairment losses amounting to EUR 0 thousand (2009: EUR 0 thousand) were recognised.

It should be taken into account that EUR 25 thousand of the aforementioned depreciation charge for 2010 (2009: EUR 68 thousand) should be deducted in relation to the assets of the dairy product business, the income and expenses of which were reclassified to discontinued operations (see Note 7).

Except for the assets derecognised as a result of the sale of the dairy product business in 2010, which amounted to EUR 321 thousand, no other significant changes arose this year.

Except as indicated below, 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 disposal.

In June 2009 an out-of-court settlement was reached with the buyer of the land of the old sugar refinery in Alagón (Zaragoza) in connection with an amount outstanding of EUR 24,000 thousand, resolving the dispute. Through this agreement, Ebro Foods, S.A. recovered 40% of the land sold (which was recognised at the historical acquisition cost prior to the sale) as consideration for 40% of the total original price of the transaction. The rest of the price was deferred and secured with a bank guarantee.

The balance receivable of EUR 12,000 thousand will be paid in five annual instalments of EUR 2,400 thousand each. The instalments for July 2009 and 2010 have already been collected. In 2009 this transaction gave rise to an expense (reduction in the proceeds from the sale) of EUR 12,877 thousand, which was recognised under "Other Operating Expenses" in the accompanying consolidated income statement for 2009.

Investment property is carried at cost. The most significant investment property in terms of fair value relates to the land of old dismantled factories and certain unoccupied buildings in Spain, Portugal, and in one specific case, England.

The fair value represents the amount for which the assets can be exchanged on the date of the appraisal by two willing parties in an arm's length transaction, as provided for by International Valuation Standards.



To determine fair value buildings are valued on an individual basis. The value of each one is considered separately and not as part of a portfolio of investment properties. Accordingly, in certain cases the values considered were those arising from the appraisals undertaken by independent valuers (updated using internal appraisals whenever necessary). In other cases the comparative method was used, which reflects market reality and the prices at which transactions relating to assets with similar characteristics are currently being closed, adjusted, where applicable, to reflect any changes in economic conditions from the date of the transactions under comparison. All of the foregoing is coordinated by the Group's Property Management Unit which, as indicated in Note 6 to the consolidated financial statements, is a specialised unit in charge of the management and control of the Group's investment property that analyses the status of the investment property and aims to reduce costs, disposing of buildings not used for industrial activities and taking the necessary measures to ensure that their value is maximised prior to their sale.

For information purposes, the fair value of the investment property is approximately EUR 101 million at 31 December 2010.

## 12. Financial assets

The detail of "Financial Assets" in the consolidated balance sheets at 31 December 2010 and 2009 is as follows (in thousands of euros):

	12-31-10			12-31-09		
	Total	Non-current	Current	Total	Non-current	Current
<b>Held-for trading financial assets:</b>	498	424	74	149	149	0
<b>Available-for-sale financial assets</b>	99,331	99,331	0	0	0	0
<b>Held-to-maturity investments:</b>						
Guarantees and deposits	1,169	1,144	25	2,279	1,011	1,268
<b>Loans and receivables:</b>						
Loans and receivables - associates	0	0	0	0	0	0
Loans and receivables - third parties	33,784	11,025	22,759	59,801	36,738	23,063
	<b>33,784</b>	<b>11,025</b>	<b>22,759</b>	<b>59,801</b>	<b>36,738</b>	<b>23,063</b>
<b>Total financial assets</b>	<b>134,782</b>	<b>111,924</b>	<b>22,858</b>	<b>62,229</b>	<b>37,898</b>	<b>24,331</b>

Financial assets amounting to EUR 3,093 thousand were derecognised as a result of the sale of the dairy product business in 2010.

### Available-for-sale financial assets

"Available-For-Sale-Financial Assets" relate to the investment in SOS Corporación, S.A. in December 2010 through the subscription of 95,510,218 shares of the capital increase performed by the aforementioned company at a cost of EUR 0.5 per share. It represents 9.3% of the share capital of SOS Corporación, S.A. This financial asset is recognised at fair value through equity, until it is derecognised or becomes impaired, at which time the amount thus recognised is allocated to the income statement. At 31 December 2010, the fair value per the market price of this investment was EUR 1.04 per share, and, therefore, a net gain of EUR 36,102 thousand was recognised directly in equity (a gross gain of EUR 51,574 thousand less EUR 15,472 thousand of its tax effect).

### Loans and receivables - third parties

The decrease in the balance of "Loans and Receivables – Third Parties" at 31 December 2010 with respect to 31 December 2009 is due to the collections that took place under the repayment schedule and the adjustment of part of the deferred price relating to the sale of the sugar business (see Note 7). The balance of "Loans and Receivables - Third Parties" at 31 December 2010 and 2009 included mainly the following:



- EUR 0 thousand in 2010 and EUR 2,952 thousand in 2009 relating to the financing granted to livestock farmers of the dairy product business sold in 2010.
- EUR 13,760 thousand in 2010 and EUR 31,800 thousand in 2009 relating to the deferred portion of the selling price in 2009 of the sugar business, earning explicit interest tied to Euribor.
- EUR 6,893 thousand in 2010 and EUR 9,054 thousand relating to the deferred portion of the selling price in 2009 of the Alagón land (see Note 11), earning implicit interest at 2.5%.
- EUR 7,655 thousand in 2010 and EUR 15,027 thousand in 2009 relating to the deferred portion of the selling price in 2009 of the investment in Biocarburantes de Castilla y León, S.A., earning implicit interest at 2.5%.

Of the total balance of this line item in 2010, EUR 33,264 thousand (2009: EUR 59,319 thousand) were denominated in euros and EUR 520 thousand (2009: EUR 482 thousand) were denominated in US dollars.

The following amounts fall due each year from 2011 onwards: EUR 22,759 thousand, EUR 4,794 thousand, EUR 5,711 thousand, with the remaining EUR 520 thousand falling due from 2014 onwards.

### 13. Investments in associates

The changes in 2010 and 2009 were as follows (in thousands of euros):

Associate	Balance at 12-31-08	Increases due to acquisitions	Decreases due to sales	Dividends paid	Profit (Loss) for the year	Translation differences	Other changes	Balance at 12-31-09
Biocarburantes de Castilla y León, S.A.	5,096		(2,546)		(2,550)			0
Lince Insurance, Ltd.	4,087				249		(919)	3,417
Asociadas de Riviana Foods Inc.	3,292			(1,850)	1,640	(104)		2,978
Asociadas de Dosbio 2010, S.L.	306		(306)					0
Asociadas de Grupo P. Biotech	38		(38)					0
Asociadas de Herba	83				(2)		(81)	0
Asociadas Panzani en liquidación	391	11			(11)			391
	<b>13,293</b>	<b>11</b>	<b>(2,890)</b>	<b>(1,850)</b>	<b>(674)</b>	<b>(104)</b>	<b>(1,000)</b>	<b>6,786</b>

Associate	Balance at 12-31-08	Increases due to acquisitions	Decreases due to sales	Dividends paid	Profit (Loss) for the year	Translation differences	Other changes	Balance at 12-31-09
Lince Insurance, Ltd. (in liquidation)	3,417				8		(3,425)	0
Asociadas de Riviana Foods Inc.	2,978			(1,870)	1,752	235		3,095
Asociadas Panzani in liquidation	391						(389)	2
	<b>6,786</b>	<b>0</b>	<b>0</b>	<b>(1,870)</b>	<b>1,760</b>	<b>235</b>	<b>(3,814)</b>	<b>3,097</b>

None of the aforementioned companies has significant assets, income, financial debt and/or material guarantees granted by the Ebro Foods Group.

The Ebro Foods Group's ownership interest in Biocarburantes de Castilla y León, S.A. (50% of its share capital) was sold in full in September 2009 to the other shareholder with a 50% ownership interest in that company (not related to the Ebro Foods Group). The sale gave rise to a gain before income tax of EUR 13,980 thousand in 2009.

In 2010 the process of liquidation of Lince Insurance, Ltd. (which managed the Group's non-current asset insurance policies) was completed.

## 14. Goodwill

The changes in 2010 and 2009 in "Goodwill" were as follows (in thousands of euros):

Segment	Cash-generating unit or group of cash-generating units	12-31-08	Increases	Decreases and other	Decrease due to impairment	Translation differences	12-31-09
Herba Rice	Danrice (Denmark)	14,524					14,524
Herba Rice	Vogan (UK)	1,107				81	1,188
Herba Rice	Riceland (Hungary)	2,126					2,126
Herba Rice	Steve & Brotherton (UK)	611					611
Herba Rice	Mundiriz (Morocco)	2,114	9		(185)	(26)	1,912
Dairy product	Puleva Food (FC merger)	53,754		1	(8)		53,747
Dairy product	Lactimilk, S.L.	429					429
US Riviana	US Riviana Group	85,476				(2,891)	82,585
US Riviana	Minute Rice	132,123				(4,468)	127,655
Panzani France	Panzani Group	417,449					417,449
US pasta	NWP Group	100,842			(15,953)	2,822	87,711
Other	Jiloca, S.A.	129					129
Other	P. Biotech Group	25,728		(2,108)	(12,000)		11,620
		<b>836,412</b>	<b>9</b>	<b>(2,107)</b>	<b>(28,146)</b>	<b>(4,482)</b>	<b>801,686</b>

Segment	Cash-generating unit or group of cash-generating units	12-31-09	Increases	Decreases and other	Decrease due to impairment	Translation differences	12-31-10
Herba Rice	Danrice (Denmark)	14,524					14,524
Herba Rice	Vogan (UK)	1,188				37	1,225
Herba Rice	Riceland (Hungary)	2,126					2,126
Herba Rice	Steve & Brotherton (UK)	611					611
Herba Rice	Mundiriz (Morocco)	1,912			(177)	34	1,769
Dairy product	Puleva Food (FC merger)	53,747		(53,747)			0
Dairy product	Lactimilk, S.L.	429		(429)			0
US Riviana	US Riviana Group	82,585				6,448	89,033
US Riviana	Minute Rice	127,655				9,965	137,620
Panzani France	Panzani Group	417,449					417,449
US pasta	NWP Group	87,711				3,394	91,105
Other	Jiloca, S.A.	129					129
Other	P. Biotech Group	11,620					11,620
		<b>801,686</b>	<b>0</b>	<b>(54,176)</b>	<b>(177)</b>	<b>19,878</b>	<b>767,211</b>
<b>Total gross value</b>		<b>846,520</b>		<b>(54,176)</b>		<b>21,061</b>	<b>813,405</b>
<b>Total accumulated impairment</b>		<b>(44,834)</b>			<b>(177)</b>	<b>(1,183)</b>	<b>(46,194)</b>

In 2010 and 2009 there were no business combinations that gave rise to significant goodwill. The decreases in goodwill in the dairy product segment are a result of the sale of this business in 2010 (see Note 7).

The goodwill arose from business combinations or the acquisition of intangible assets. On 31 December 2010 and 2009, these assets were tested for impairment (by independent valuers -American Appraisal-), and their value was allocated to the cash-generating units or groups of units shown in the preceding table. The goodwill was tested for impairment calculating the value in use of each of the cash-generating units, by discounting the associated cash flows generally projected over a period of five years, and the related residual value calculated as the permanent income of the last cash flow projected using a perpetual growth rate.

The projected cash flows were calculated on the basis of historical information and the best estimates of the managers of each cash-generating unit. In addition, the fair value of the cash-generating units was calculated based on an analysis of comparable market transactions.

The growth rates used to extrapolate the cash flow projections beyond the projected period and the discount rates applied to the cash flow projections for the most significant cash-generating units were as follows at 31 December 2010:

- ▶ In the European rice and pasta businesses, growth rates between 1.5% and 2% and average discount rates of 7.0% were used except in Hungary which, as a result of its special characteristics, used a discount rate of 11.6% and a growth rate of 2.5%.
- ▶ In the case of the goodwill relating to Biosearch, S.A., as a result of the special characteristics of its business, a discount rate of 13.71% and a growth rate of 1.9% were applied.
- ▶ In the US rice and pasta businesses, discount rates of 6.8% and growth rates of between 0% and 2.2% were used.

The most significant assumptions used to measure each cash-generating unit at 31 December 2010 relate to the average growth of sales for each projected period, the annual rate of compound growth of EBITDA, the evolution of the number of days of working capital and average annual investments based on a percentage of projected EBITDA.

It was considered that no reasonable and possible change in any of the assumptions used in calculating the recoverable amount of the cash-generating unit to which the goodwill was allocated would cause its carrying amount to exceed its recoverable amount.

## 15. Inventories

The detail of "Inventories" at 31 December 2010 and 2009 is as follows (in thousands of euros):

CONCEPT	12-31-10	12-31-09
Goods held for resale	17,951	12,977
Raw materials	92,378	84,801
Consumables and spare parts	3,723	8,004
Containers	17,628	16,311
Work in progress	28,859	27,390
Finished goods	78,513	113,613
By-products and waste	3,552	5,979
Advances to suppliers	22,587	11,259
<b>Total gross inventories</b>	<b>265,191</b>	<b>280,334</b>
Inventory write-downs	(4,753)	(2,806)
<b>Total net inventories</b>	<b>260,438</b>	<b>277,528</b>

At 31 December 2009, "Inventories" includes EUR 37,085 thousand relating to the dairy product business sold in 2010.

At 2010 year-end the balance of "Advances to Suppliers" in the consolidated balance sheet included EUR 18,258 thousand (2009: EUR 7,957 thousand) relating to payments made to rice growers and there were firm paddy rice purchase agreements amounting to EUR 32,242 thousand (2009: EUR 10,805 thousand). Also, the Riviana Group has raw material purchase commitments totalling approximately EUR 14,490 thousand (2009: EUR 15,266 thousand).

The Panzani Group has semolina purchase commitments for 55 thousand tonnes per year until 1 December 2013 for a fixed price consisting of the production cost plus a margin that is revised each year on the basis of various parameters. Also, the Panzani Group has commitments to a single supplier until 28 February 2014 for container purchases from a closed list of products.

In 2010 the inventory write-downs recognised and reversed amounted to EUR 4,515 thousand and EUR 2,517 thousand (2009: EUR 7,934 thousand and EUR 13,765 thousand, respectively) and the translation losses to EUR 51 thousand.

## 16. Trade and other receivables

The detail of "Trade and Other Receivables" at 31 December 2010 and 2009 is as follows (in thousands of euros):

CONCEPT	12-31-10	12-31-09
Trade receivables	267,143	256,419
Receivable from associates	0	0
Sundry accounts receivable	22,476	27,077
Allowances	(6,643)	(8,205)
Trade receivables - dairy product business (sold in 2010)		66,391
<b>Total</b>	<b>282,976</b>	<b>341,682</b>

The terms and conditions applicable to the accounts receivable from related parties are disclosed in Note 27. The trade receivables are not interest earning and generally mature at between 30 and 90 days. The detail of the age of the trade receivables at 31 December 2010 is as follows:

AGE OF THE RECEIVABLES	Gross	Allowance	Net
Within 6 months	260,928	(1,745)	259,183
Between 3 and 6 months	1,769	(268)	1,501
Between 6 and 12 months	865	(375)	490
Between 12 and 18 months	810	(568)	242
Between 18 and 24 months	332	(4)	328
More than 24 months	2,439	(2,262)	177
	<b>267,143</b>	<b>(5,222)</b>	<b>261,921</b>

In 2010 the provision recognised for trade and other receivables amounted to EUR 924 thousand (2009: EUR 1,602 thousand), the allowances used in this connection amounted to EUR 2,653 thousand (2009: EUR 2,607 thousand) and the related translation differences amounted to EUR 167 thousand (2009: EUR 57 thousand).

## 17. Cash and cash equivalents

The detail of "Cash and Cash Equivalents" at 31 December 2010 and 2009 is as follows (in thousands of euros):

CONCEPT	12-31-10	12-31-09
Cash on hand and at banks	216,928	123,373
Short-term deposits and similar	338,779	35,230
Cash and cash equivalents of dairy product business (sold in 2010)		41,327
<b>Total</b>	<b>555,707</b>	<b>199,930</b>

The cash at banks earns floating interest based on the daily interest rate for bank deposits. The maturities of the short-term deposits range from one day to three months depending on the Group's immediate liquidity needs; the deposits earn interest at the rates applied. The fair value of the cash and cash equivalents was EUR 555,707 thousand at 2010 year-end (2009 year-end: EUR 199,930 thousand).

During the year the companies invested their specific cash surpluses in debt repos and other similar instruments in order to obtain returns on them. All these investments are denominated in euros, except for an amount denominated in US dollars. In 2010 these investments earned annual average interest of around 3.0% (2009: 3.0%).

## 18. Share capital, reserves, earnings per share and dividends

### 18.1 Share capital and reserves

#### Share capital

At 31 December 2010 and 2009, 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.

The direct and indirect ownership interests in the share capital of Ebro Foods, S.A. held by shareholders owning more than 3% of the capital, is, at 31 December 2010 (2009), as follows, according to the information furnished to the Spanish National Securities Market Commission (CNMV) and to Ebro Foods, S.A.:

- ▶ Instituto Hispánico del Arroz, S.A.: direct holder of 13,588,347 (2009: 13,588,347) shares representing 8.831% (2009: 8.831%) and indirect holder, through Hispafoods Invest, S.L., of 10,600,210 (2009: 10,600,210) shares representing 6.889% (2009: 6.889%). In total, holder of 24,188,557 (2009: 24,188,557) shares representing 15.721% (2009: 15.721%)
- ▶ Sociedad Anónima Damm: indirect holder, through Corporación Económica Damm, S.A., of 14,350,000 (2009: 10,300,000) shares representing 9.326% (2009: 6.694%).
- ▶ Sociedad Estatal de Participaciones Industriales: indirect holder, through Alimentos y Aceites, S.A., of 13,315,016 (2009: 13,315,016) shares representing 8.654% (2009: 8.654%).
- ▶ Corporación Financiera Alba, S.A.: indirect holder, through Alba Participaciones, S.A., of 8,777,719 shares representing 5.70%. It became a significant shareholder on 9 September 2010.
- ▶ Lolland, S.A.: indirect holder, through Casa Grande Cartagena, S.L., of 7,693,290 (2009: 9,707,778) shares representing 5.000% (2009: 6.309%).

### Share premium

The Consolidated Spanish Limited Liability Companies Law permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use. The share premium was distributed substantially in full in 2009 through the distribution of an extraordinary stock dividend using treasury shares.

### Restricted reserves

Also, Spanish companies that report a profit for the year must transfer 10% of that net profit to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve cannot be distributed except in the event of dissolution but it can be used to offset losses, provided that sufficient other reserves are not available, for this purpose, and to increase capital, provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. At 31 December 2010 and 2009, the Parent's legal reserve had reached the legally required minimum.

Noteworthy regarding the restrictions on the reserves of the subsidiaries is the existence of legal reserves of Spanish and certain foreign subsidiaries amounting to approximately EUR 13.0 million (2009: EUR 25.6 million), which are generally subject to the same restrictions as those described in the preceding paragraph on the Parent's legal reserve. The portion of these reserves that arose in the consolidation process is presented under "Accumulated profit".

The consolidated equity includes EUR 38,531 thousand in 2010 (2009: EUR 38,581 thousand) relating to Herba Foods S.L. Any distribution of these profits would be subject to income tax. In this connection, the tax point is considered to arise when the decision is taken to distribute the profits, which is not expected to occur at short or medium term.

### Translation differences - Reserve due to translation of foreign currency

The reserve for translation of foreign currency is used to record the exchange differences that arise from the translation of the financial statements of foreign subsidiaries. It is also used to recognise hedges of net investments in foreign operations.

The detail, by company, of the translation differences at 31 December 2010 and 2009 is as follows (in thousands of euros):

	12-31-10	12-31-09
Herba business companies	(5,139)	(8,941)
RIVIANA Group	(18,527)	(26,194)
NWP Group	628	(19,938)
<b>Total</b>	<b>(23,038)</b>	<b>(55,073)</b>

### Treasury shares

In 2009, the Parent made treasury share purchases and sales pursuant to authorisations granted by the shareholders at the Annual General Meetings held on 28 April 2009 and 9 June 2008, and, in accordance with current legislation, the Spanish National Securities Market Commission (CNMV) was

notified accordingly. In 2009 1,064,871 treasury shares were acquired and 1,849,002 were sold and, in addition, 3,628,135 shares were distributed in the form of an extraordinary stock dividend. At 2009 year-end the Company held 666,469 treasury shares representing 0.43% of its share capital. At 2009 year-end no decision had been taken regarding the specific use to which these treasury shares would be put.

In 2010 the Parent was authorised by the shareholders at the Annual General Meetings held on 28 April 2009 and 1 June 2010 to purchase and sell treasury shares, and, in accordance with current legislation, the CNMV was notified accordingly. No shares were acquired in 2010 and 666,469 treasury shares were sold. At 31 December 2010, the Company held no treasury shares.

## 18.2 Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to the ordinary shareholders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit or loss attributable to ordinary shareholders of the Parent (after deducting interests in non-cumulative redeemable and convertible preference shares -of which there were none at Ebro Foods, S.A. at 31 December 2010 and 2009) by the average number of ordinary shares outstanding in the year (plus the average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares -of which there were none at Ebro Foods, S.A. at 31 December 2010 and 2009).

The detail of the profits and information on the shares used in calculating the basic and diluted earnings per share is as follows:

	12-31-10	12-31-09
Net profit attributable to the ordinary shareholders of the Parent from continuing operations	129,272	96,996
Profit attributable to the ordinary shareholders of the Parent from discontinued operations	259,525	79,543
<b>Net profit attributable to the ordinary shareholders of the Parent</b>	<b>388,797</b>	<b>176,539</b>
Interests in non-cumulative redeemable convertible preference shares	0	0
<b>Net profit attributable to the ordinary shareholders of the Parent adjusted by the effect of the non-cumulative redeemable convertible preference shares</b>	<b>388,797</b>	<b>176,539</b>

	2010	2009
	Thousands	Thousands
Weighted average ordinary shares for basic earnings per share (*)	153,375	151,072
<b>Dilutive effect:</b>		
Share options	0	0
Redeemable preference shares	0	0
Weighted average ordinary shares adjusted by dilutive effects	153,375	151,072

(\*) taking into account the average number of treasury shares held in the year.

There were no transactions involving ordinary shares or potential ordinary shares in the period from the date of the consolidated financial statements to the date of their authorisation for issue.

## 18.3 Dividends

The distribution of dividends approved by the shareholders at the Annual General Meeting held on 1 June 2010 was as follows:

- a) As a result of the Ebro Foods Group's consolidated profit for 2009, it was resolved to distribute an ordinary dividend payable in cash out of unrestricted reserves of EUR 0.40 per share in four quarterly payments of EUR 0.10 each, on 5 April, 1 July, 1 October and 23 December 2010, for a total of EUR 61,546 thousand.

b) Also, and on an independent basis, with the condition that the dairy product business was successfully sold, an extraordinary dividend was approved consisting of a cash payment out of unrestricted reserves of EUR 0.60 per share (in addition to the ordinary dividend) in four payments of EUR 0.15 each, on 1 October and 23 December 2010 and 4 April and 4 July 2011, and totalling EUR 92,319 thousand.

<b>DIVIDENDS DECLARED, PAID AND PAYABLE IN THE YEAR</b>	<b>2010</b>	<b>2009</b>
<b>Dividends on ordinary shares:</b>		
Final dividend paid for 2009: EUR 0.70 (2008: EUR 0.94)	107,705	145,111
Extraordinary dividend for 2009 paid in 2011: EUR 0.30 (*)	46,160	0
Interim dividend for 2010: EUR 0 (2009: EUR 0)	0	0
	<b>153,865</b>	<b>145,111</b>
<b>Proposal for approval by shareholders at General Meeting (not recognised as a liability at 31 December)</b>		
Ordinary dividend for 2010: EUR 0.416 (2009: EUR 0.40)	64,008	61,546
Extraordinary dividend for 2009: EUR 0.60	0	92,319
	<b>64,008</b>	<b>153,865</b>

(\*) Recognised as a liability at 31 December 2010 (see Note 22).

## 19. Deferred income

This account includes essentially grants related to assets and CO<sub>2</sub> emission allowances received. The changes in 2010 and 2009 were as follows:

	<b>Government grants</b>		<b>CO<sub>2</sub> emission allowances</b>		<b>Total</b>	
	<b>12-31-10</b>	<b>12-31-09</b>	<b>12-31-10</b>	<b>12-31-09</b>	<b>12-31-10</b>	<b>12-31-09</b>
Beginning balance	14,614	15,201	179	390	14,793	15,591
Decrease due to sale of dairy product business	(5,538)		(570)		(6,108)	0
Grants written off	188	(742)			188	(742)
Grants received	547	4,332			547	4,332
Increase due to CO <sub>2</sub> emission allowances			2,304	2,529	2,304	2,529
Other increases/decreases			(357)	(70)	(357)	(70)
Translation differences	4	6	0	0	4	6
Transfers to profit from continuing operations	(3,124)	(4,183)	(149)	(2,670)	(3,273)	(6,853)
Transfers to profit from discontinued operations	(1,170)		(1,062)		(2,232)	0
<b>Ending balance</b>	<b>5,521</b>	<b>14,614</b>	<b>345</b>	<b>179</b>	<b>5,866</b>	<b>14,793</b>

"Deferred Income" at 31 December 2010 and 2009 relates to grants related to assets granted to various Group companies in relation to investments in property, plant and equipment (to date these companies have met all the terms and conditions associated with the grants), the value assigned to the CO<sub>2</sub> emission allowances received under the related national plans and other more minor items.

In 2008 Centro para el Desarrollo Tecnológico Industrial (CDTI) awarded a grant to the consortium made up of 16 companies led by Biosearch, S.A. for the implementation of a CENIT research project aimed at weight control and the prevention of obesity. This project has an estimated duration of four years (2008-2011).

The detail, by due date, of the grants is as follows:

<b>GRANTS RELATED TO ASSETS</b>	<b>Amount not yet allocated to profit or loss</b>			
	<b>&lt; 1 year</b>	<b>2-5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
Detail of ending balance by due date	702	1,823	2,996	5,521



## 20. Provisions for pensions and similar obligations

The changes in "Provisions for Pensions and Similar Obligations" at the Group in 2010 were as follows (in thousands of euros):

	12-31-10	12-31-09		Total
	Total	Continuing operations	Discontinued operations	
<b>Balance at 1 January</b>	<b>40,953</b>	<b>39,060</b>	<b>0</b>	<b>39,060</b>
Translation differences	1,718	(231)	0	(231)
Business combinations	0	0	0	0
Amounts used and payments	(19,320)	(9,488)	257	(9,231)
Transfers from other accounts	329	368	240	608
Excessive provisions and termination benefits	(4)	(36)	0	(36)
Charge for the year - actuarial changes	1,141	1,883	0	1,883
Charge for the year to financial profit or loss	892	993	0	993
Charge for the year to staff costs	6,131	7,773	(47)	7,726
Charge for the year to other operating expenses	390	181	0	181
<b>Balance at 31 December</b>	<b>32,230</b>	<b>40,503</b>	<b>450</b>	<b>40,953</b>

The detail, by type of obligation, is as follows (in thousands of euros):

	12-31-10	12-31-09
Defined benefit obligations	20,008	23,134
Retirement bonus and other similar obligations	10,897	9,710
Senior executive incentive programme (see Note 27.6)	1,325	8,109
<b>Total</b>	<b>32,230</b>	<b>40,953</b>

The obligations, by company or segment, are summarised as follows:

	Defined contribution pension obligations	Definet benefit pension obligations	Other definet benefit obligations	Retirement bonus obligations	Long-service bonus obligations	Termination benefit obligations
Ebro Foods, S.A.	Yes (a)				Yes (b)	
Riviana Group (US)	Yes	Yes (c)	Yes (c)			
NWP Group (US and Canada)	Yes	Yes Si (c)	Yes (c)			
Panzani Group (France)				Yes (b)	Yes (b)	
Boost (Herba) (Belgium)	Yes (d) 2007	Yes (d) 2006				Yes (b)
BPB (Belgium)						Yes (b)
Mundiriso (Herba) (Italy)						Yes (b)
Euryza (Herba) (Germany)		Yes (b)				
S&B Group (Herba) (UK)	Yes (e)	Yes (c) (e)				
Birkel Group (Germany)		Yes (b)		Yes (b)		

(a) Obligations externalised through an insurance policy. These obligations were originally defined benefit obligations, but as a result of the externalisation they became defined contribution obligations since they met the minimum requirements for being considered as such.

(b) Unexternalised obligations. In-house provisions and management.

(c) External management of these obligations. The administration, management and investment decisions relating to these assets are performed by an Administration Committee that is independent of Company management.

(d) In 2007 they became defined contribution obligations.

(e) In 2007 all obligations to current employees became defined contribution obligations, whereas the obligations to former employees continued to be defined benefit obligations.

Below is a description of the most significant obligations in terms of their relative importance as regards all the obligations taken as a whole and/or those which due to their specific circumstances must be disclosed.

## 20.1 Retirement bonus and other similar obligations

The detail, by company or business, is as follows:

	12-31-10	12-31-09
Ebro Foods, S.A. (EF)	406	352
Panzani France Group (Panzani)	9,155	8,268
Herba Rice Group (Herba)	666	709
BIRKEL Group	269	204
Riviana US Group (Riviana)	249	0
BPB (Belgium)	152	177
<b>Subtotal</b>	<b>10,897</b>	<b>9,710</b>

### 20.1.1 Ebro Foods, S.A.

As indicated in Note 3-n, some of the employees of Ebro Foods, S.A. are beneficiaries of various supplementary pension payments which until 2002 were covered by an in-house provision.

In accordance with current legislation, Ebro Foods, S.A. complied with the obligation to externalise these pension obligations before 16 November 2002, including the amounts reimbursed in the event of death in service.

Each year subsequent to the arrangement of the externalised policies, the adjustments are made that could be required to regularise the policies as a result of the obligations vested each year by current employees and of the changes in their personal and salary conditions with respect to those envisaged in the technical bases detailed in the notes to the consolidated financial statements for 2001. As a result of the possible adjustments to the coverage of these policies, the related premiums are paid to the insurance company so that the obligations to the employees are adequately covered on a permanent basis. The premiums paid for 2010 and 2009 were for very small amounts and were recognised under "Staff Costs".

As a result of the aforementioned externalisation, in 2002 the in-house provisions were eliminated from liabilities.

The balance of the account at 31 December 2010 of Ebro Foods, S.A. totalling EUR 406 thousand (31 December 2009: EUR 352 thousand) relates to the provision to meet the possible long-service bonus obligations to employees that do not have to be externalised. The expense for 2010 was EUR 54 thousand (2009: EUR 184 thousand).

### 20.1.2 Panzani Group companies

The Panzani Group companies have obligations to employees, basically for retirement bonuses (provisions of EUR 8,042 thousand and EUR 7,236 thousand at the end of 2009 and 2010, respectively) and for long-service bonuses (provisions of EUR 1,113 thousand and EUR 1,032 thousand at the end of 2010 and 2009, respectively). The aforementioned provisions were recorded on the basis of in-house actuarial calculations. The related expense in 2010 was EUR 1,472 thousand (2009: EUR 294 thousand). These provisions are in-house provisions and are not invested in specific assets.

### 20.1.3 Herba Rice Group companies

The collective agreement applicable to the Italian and Belgian subsidiaries provides for termination obligations (voluntary or otherwise) to their employees. The related provisions were recognised on the basis of in-house actuarial calculations. At 2010 year-end the provisions amounted to EUR 489 thousand (2009 year-end: EUR 549 thousand). The related expense in 2010 was EUR 28 thousand (2009: EUR 57 thousand).

Also, certain Herba Group subsidiaries (S&B Herba in the UK, Boost in Germany, Danrice in Denmark and Herba in Puerto Rico) have defined contribution pension obligations to certain of their employees, on the basis of an annual contribution based on a percentage of their salaries. The related expense in 2010 was EUR 511 thousand (2009: EUR 516 thousand).

Lastly, pursuant to the collective agreement for the rice sector, Herba Ricemills, S.L. has retirement bonus obligations for a scanty material amount externalised through an insurance policy.

### 20.1.4 Birkel Group (Germany)

In addition to the defined benefit obligations discussed in the section below, the Birkel Group companies have obligations to their employees, basically in connection with retirement bonuses (provisions of EUR 269 thousand and EUR 204 thousand at the end of 2010 and 2009, respectively). The related provisions were recorded on the basis of in-house actuarial calculations. These provisions are in-house provisions and are not invested in specific assets.

## 20.2 Defined benefit pension and other obligations

The detail, by company, is as follows:

### DEFINED BENEFIT OBLIGATIONS (Thousand of euro)

	12-31-10			12-31-09		
	Pension obligations	Other obligations	Total	Pension obligations	Other obligations	Total
Riviana Group (US)	8,234	(2,656)	5,578	8,723	(2,126)	6,597
NWP Group (USA and Canada)	5,216	1,354	6,570	7,288	1,264	8,55
Boost (Herba) (Belgium)	223		223	214		214
Euryza (Herba) (Germany)	3,234		3,234	2,970		2,970
S&B Group (Herba) (UK)	2,387		2,387	2,074		2,074
Birkel Group (Germany)	2,016		2,016	2,727		2,727
	<b>21,310</b>	<b>(1,302)</b>	<b>20,008</b>	<b>23,996</b>	<b>(862)</b>	<b>23,134</b>

The changes in 2010 and 2009 in the obligations included in the foregoing table, broken down by geographical area (since this is the most appropriate and uniform basis for reporting obligations of this nature), were as follows:

(Thousand of euro)

	Riviana Group		NWP Group		European companies	
	12-31-10	12-31-09	12-31-10	12-31-09	12-31-10	12-31-09
<b>Provision for pensions - obligations</b>						
Balance at beginning of year	28,135	26,547	22,353	25,760	14,977	14,588
Business combinations	0	0				
Period provisions	3,313	3,313	1,808	1,776	1,034	1,084
Actuarial changes	1,260	2,304	(135)	831	288	3,491
Payments in the year	(1,069)	(3,046)	(5,052)	(6,874)	(477)	(4,165)
Labour force restructuring	(4,767)	0	(1,377)	323	0	0
Estimated unrecognised losses	0	0	0	0	0	0
Translation differences	2,212	(983)	1,903	537	278	(21)
<b>Balance at 31 December</b>	<b>29,084</b>	<b>28,135</b>	<b>19,500</b>	<b>22,353</b>	<b>16,100</b>	<b>14,977</b>
<b>Provision for pensions - plan assets</b>						
Balance at beginning of year	(21,539)	(18,271)	(13,801)	(16,231)	(6,992)	(7,312)
Business combinations	0	0				
Return on plan assets	(1,748)	(4,487)	(1,286)	(2,126)	(655)	(1,087)
Company contributions	(4,377)	(2,580)	(1,790)	(2,011)	(631)	(2,576)
Payments in the year	5,836	3,046	5,052	6,874	251	3,962
Translation differences	(1,678)	754	(1,105)	(307)	(213)	21
<b>Balance at 31 December</b>	<b>(23,506)</b>	<b>(21,538)</b>	<b>(12,930)</b>	<b>(13,801)</b>	<b>(8,240)</b>	<b>(6,992)</b>
<b>Net balance at 31 December</b>	<b>5,578</b>	<b>6,597</b>	<b>6,570</b>	<b>8,552</b>	<b>7,860</b>	<b>7,985</b>
Deferred recognition of net differences: (losses) gains	0	0	0	0	0	0
<b>Net balance sheet balance at 31 December</b>	<b>5,578</b>	<b>6,597</b>	<b>6,570</b>	<b>8,552</b>	<b>7,860</b>	<b>7,985</b>

#### ANNUAL NET COST BY COMPONENT

	Riviana Group		NWP Group		European companies	
	12-31-10	12-31-09	12-31-10	12-31-09	12-31-10	12-31-09
Annual service cost	1,858	1,720	790	499	123	139
Interest cost	1,456	1,592	1,018	1,277	822	858
Return on plan assets	(1,367)	(1,179)	(867)	(949)	(474)	(391)
Labour force restructuring	0	0	0	0	0	0
Estimated unrecognised losses	0	7	0	0	315	119
	<b>1,947</b>	<b>2,140</b>	<b>941</b>	<b>827</b>	<b>786</b>	<b>725</b>
Actuarial changes recognised directly in consolidated equity (losses) gains	(736)	678	(215)	(275)	504	(2,286)

#### ACTUARIAL ASSUMPTIONS

	12-31-10	12-31-09	12-31-10	12-31-09	12-31-10	12-31-09
Discount rate	5.36%	6.00%	5.25%	5.38%	4.7% al 5.5%	5% al 5.80%
Salary increase rate	3.50%	3.50%	0.00%	0.00%	2.5% al 3.5%	2.5% al 3.5%
Return on plan assets	7.75%	7.75%	7.50%	7.00%	6.70%	6.80%

In general, the obligations relate to pension plans for most of the employees of the Riviana and NWP Groups and for certain employees of European subsidiaries. At the S&B Group, these obligations currently relate solely to former employees (since the obligations to current employees were transferred to defined contribution schemes on 1 January 2006). Since February 2006 no new employees have been included in this defined benefit scheme at the Riviana Group. At the Canadian subsidiary of the NWP Group the pension plan has been settled through the payment of the amounts vested by the employees up to 31 December 2009.

Also, at the Riviana and NWP Groups, the other obligations relate to healthcare cover, medicines and life insurance for only a portion of the employees.

Lastly, the Riviana and NWP Groups have voluntary contribution plans for all their employees in the US. The companies contribute a total amount equal to a percentage of the contribution of the employees. The total expense relating to these plans in 2010 was EUR 1,489 thousand (2009: EUR 721 thousand).

## 21. Other provisions

The changes in "Other Provisions" in 2010 and 2009 were as follows (in thousands of euros):

Changes in other provisions	12-31-10		12-31-09	
	Total	Continuing operations	Discontinued operations	Total
Beginning balance	73,784	17,344	2,966	20,310
Translation differences	50	(4)	0	(4)
Business combinations	0	0	0	0
Transfers	(924)	(1,608)	(31)	(1,639)
Amounts used and payments	(38,846)	(7,571)	(1,630)	(9,201)
Charge for the year for other provisions	14,999	8,234	103	8,337
Charge for the year for CO <sub>2</sub>	149	1,027	1,393	2,420
Charge for the year for the sale of businesses (Note 7)	41,295	57,387	0	57,387
Amounts credited to profit or loss due to provisions released	(115)	(3,826)	0	(3,826)
Liabilities relating to the dairy product business (sold in 2010)	(2,801)	0	0	0
<b>Ending balance</b>	<b>87,591</b>	<b>70,983</b>	<b>2,801</b>	<b>73,784</b>

The provisions, by company or segment, are summarised as follows (in thousands of euros):

Summary of provisions by item covered	12-31-10		12-31-09	
	Total	Continuing operations	Discontinued operations	Total
Outcome of litigation relating to sale of the sugar business	45,655	59,077	0	59,077
Outcome of litigation relating to sale of the dairy product business	28,406	0	0	0
Other litigation and disputes	6,130	10,222	1,336	11,558
Modernisation and restructuring plans	6,172	601	0	601
CO <sub>2</sub> allowances	149	945	1,336	2,281
Other sundry contingencies of non-material amounts	1,079	138	129	267
	<b>87,591</b>	<b>70,983</b>	<b>2,801</b>	<b>73,784</b>

	12-31-10	12-31-09
Ebro Foods, S.A.	74,061	65,193
Panzani Group	5,658	4,266
Riviana Group	2,793	0
Birkel Group	3,508	0
Other	1,571	1,524
<b>Total continuing operations</b>	<b>87,591</b>	<b>70,983</b>

### 21.1 Provision for the outcome of litigation relating to the sale of the sugar business

At 31 December 2010 (2009), this heading included a provision of EUR 45,655 thousand (2009: EUR 59,077 thousand) to cover the buyer in the sale in 2009 of the sugar business from the litigation in progress relating to Azucarera Ebro, S.L.

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

**Developments in 2010:** On 20 July 2010, the Criminal Chamber of the Supreme Court handed down an unfavourable judgment whereby, in accordance with the commitments assumed by Ebro Foods, S.A., as the seller, on 21 July 2010, the former paid ABF EUR 27.6 million. The interest that will foreseeably be paid in the coming months remains outstanding. With respect to the remaining guarantees for which provisions were recognised, there were no material changes in their position compared to the previous year, except for two, the resolution of which led to the additional payment of EUR 0.3 million to ABF. In 2010 the Company decided to increase the provision for these guarantees in order

to cover all of the current risks, which gave rise to an increased expense in 2010 of EUR 13,064 thousand (see Note 7).

### 21.2 Provision for the outcome of litigation relating to the sale of the dairy product business

At 31 December 2010, the balance of the provision for the outcome of litigation in progress, involving Puleva Food, S.L., relating to the buyer in the sale of the dairy product business in 2010 amounted to EUR 28,406 thousand (principal and interest, which amounted to EUR 28,231 thousand and EUR 175 thousand, respectively)

The provision for the outcome of litigation relating to the sale of the dairy product business relates to the guarantees provided to the buyer of the business which, in the event of an unfavourable outcome of the litigation, would lead to a reduction in the selling price of the dairy product business. The provisions recognised constitute an adjustment to the selling price and, consequently are recognised as a decrease in gains in the year in which they are recognised (see Note 7).

### 21.3 Summary of the status of other litigation and disputes

In addition to the litigation discussed in Notes 21.1 and 21.2 above, at 31 December 2010, provisions had been recognised for other litigation and disputes amounting to EUR 6,130 thousand (31 December 2009: EUR 11,558 thousand) in relation to court proceedings in progress and other claims. The Parent's directors and internal and external legal advisers do not expect any additional material liabilities to arise in connection with the outcome of these court proceedings and claims.

The detail of the maximum risk arising from the aforementioned litigation (both that indicated in Note 21.1, 21.2 and that indicated in Note 21.3) is as follows (in thousands of euros):

	12-31-10	12-31-09
Sundry tax and customs duty assessments signed on a contested basis	75,652	70,162
Risks relating to appeals for judicial review	7,478	3,161
Other litigation-related risks	0	3,190
	<b>83,130</b>	<b>76,513</b>

The most significant lawsuits are described below. Although some of these cases formally correspond to Azucarera Ebro, S.L. and/or Puleva Food, S.L., which no longer form part of the Ebro Foods Group, the related guarantees have been provided to the buyer by Ebro Foods, S.A. in accordance with the terms and conditions agreed on in the sale of both businesses and, therefore, they are disclosed here:

#### 1. Internal movements of sugar among production plants:

- 1.1 Assessments were issued in administrative proceedings in relation to export levies on the 99/00 C sugar marketing year and the amount for the compensation of storage costs for 1996/97 to 1999/00, the cumulative amount of which was EUR 10,953 thousand. Provisions were recorded in this connection. These assessments were confirmed by a judgment of the National Appellate Court on 22 December 2008. A cassation appeal has been filed at the Supreme Court against this judgment. Amount provisioned. Classification for accounting purposes: probable.

- 1.2** The penalties arising from the matters described in point 1.1 are being disputed together in the same litigation and amount to EUR 6,731 thousand. Amount provisioned. Classification for accounting purposes: probable.
- 1.3** Also in relation to internal movements of sugar among production plants, an income tax assessment was signed on a contested basis as a result of the increase in the tax base due to alleged sugar sales in 1999. Tax deficiency: EUR 3,611 thousand. An appeal was filed at the National Appellate Court. Amount provisioned. Classification for accounting purposes: probable.
- 1.4** The penalty arising from the assessment referred to in point 1.3. amounts to EUR 2,076 thousand. An appeal was also filed in this connection at the National Appellate Court. Amount provisioned. Classification for accounting purposes: probable.
- 2.** Settlement of duty on alcohol related supplies delivered to two customers (Appeal number 394/06). Amount: EUR 1,813 thousand. A judgment has yet to be handed down on the cassation appeal filed by the company. Amount provisioned. Classification for accounting purposes: probable.
- 3.** Civil court claim filed by several sugar business customers for alleged damage and losses arising from industrial sugar price rigging in 1995 and 1996 declared by the Spanish Competition Agency in its resolution of 15 April 1999. Amount: EUR 4,105 thousand. The decision handed down at first instance upheld half of the claim. The Company had already paid half of the amount by way of provisional enforcement. A provision has not been made for the remaining amount since both parties have filed an appeal and have challenged the appeal of the other side. Classification for accounting purposes: possible.
- 4.** Preliminary proceedings 206/2002 (Central Examining Court no. 5) and 323/2006 (Central Examining Court no. 4). Possible secondary third-party liability of Puleva Food, S.L.U. in two criminal proceedings currently at the examining stage at the National Appellate Court in relation to alleged fraud in connection with the supplementary milk levy in the period from 1997 to 2005. Proceedings are currently in progress against intermediary companies, cooperatives and practically all the Spanish dairy product companies. In the first of the proceedings (Central Examining Court no. 5), the court-appointed experts presented a report quantifying the milk levy defrauded for the period as a whole by the Spanish dairy product industry at EUR 250 million, of which approximately EUR 35 million are attributable to Puleva or to companies absorbed by it.
- In the second proceeding (Central Examining Court no.4), in 2010 an expert's report from the tax authorities was presented, which has yet to be ratified, estimating the amounts of milk on which the quota attributable to Puleva should be calculated (2001/02 marketing year: 48.7 million kg and 2002/03 marketing year: 42.6 million kg).
- The actions brought against Puleva Food, S.L.U. are not expected to be successful in the marketing years that have become statute-barred since the marketing years become statute-barred on an annual basis. With respect to the marketing years that cannot be considered statute-barred, the actions brought are expected to be successful even if the defence counsel argues that (i) since there was no legal concept of a milk levy in Spain until 2004, a crime relating to alleged fraudulent conduct prior to that date cannot be considered to have been committed retrospectively; and (ii) fraud cannot be deemed to have been committed when all the periodic reports submitted by Puleva to FEAGA (Spanish



Agricultural Guarantee Fund) have been absolutely accurate and have reflected all the milk bought both directly from farmers and indirectly from intermediaries, all of which were authorised by FEGA to operate as such.

The Company recognised a provision of EUR 28 million based on the amounts corresponding to the non-statute-barred marketing years and the related interest. Accounting classification: probable in relation to the non-statute-barred marketing years.

5. Azucarera Energías, S.A. has stated its intention to file a claim against Azucarera Ebro S.L. due to the unilateral termination of the supply agreement, which bound the two companies, in relation to the Rinconada plant (Seville). A provision was recognised in the financial statements of Ebro Foods, S.A. for the amount that would have to be paid to the buyer pursuant to the conditions established in the agreement for the sale of the sugar business.

A lawsuit, the outcome of which could be favourable for Ebro Foods, S.A., concerns a claim for amounts unduly paid over to the Spanish Treasury (EUR 6,415 thousand, of which 60% relates to farmers and the remaining 40% to the Company) in relation to the sugar-production levy for the marketing years 2002/03 to 2005/06. The claim was based on a ruling issued by the Court of Justice of the European Union which rendered null and void the regulations that set rates levied for the collection of this agricultural tax. The Provincial Customs and Excise Office agreed to the reimbursement of only EUR 350 thousand and, therefore, the Company filed an economic-administrative claim for the difference between this amount and the amount originally claimed and submitted an application for a preliminary ruling to the Court of Justice of the European Union.

## 22. Financial liabilities

The detail of "Financial Liabilities" is as follows (in thousands of euros):

Financial liabilities	12-31-10		12-31-09	
	Non-current	Current	Non-current	Current
Long-term bank loans and credit facilities	353,200	64,436	508,554	105,190
Short-term bank loans and credit facilities		108,445		121,565
Other loans from official institutions	634	400	473	175
Payable to associates	0	0	0	0
Dividends payable (Note 18.3)		46,160		0
Guarantees and deposits received (financial)	197	0	198	0
Financial liabilities relating to the dairy product business (sold in 2010)			12,295	8,351
<b>Total financial liabilities</b>	<b>354,031</b>	<b>219,441</b>	<b>521,520</b>	<b>235,281</b>

The detail, by segment or company and maturity, of bank borrowings is as follows (in thousands of euros):

### DETAIL, BY COMPANY OR SEGMENT, OF THE BANK LOANS AND CREDIT FACILITIES

	12-31-09	12-31-10	2012	2013	2014	2015	Other
Ebro Foods, S.A	405,737	279,518	55,032	55,032	27,602	70,926	70,926
US Riviana Group	102,463	73,643	36,821	36,822			
French Panzani Group	64	51	13	13	13	12	
Arotz Foods, S.A.	261	0					
Jiloca, S.A.	10	0					
Biosearch, S.A.	19	(12)	(12)				
<b>Long-term bank loans and credit facilities</b>	<b>508,554</b>	<b>353,200</b>	<b>91,854</b>	<b>91,867</b>	<b>27,615</b>	<b>70,938</b>	<b>70,926</b>
Ebro Foods, S.A	78,537	39,674					
French Panzani Group	62,161	26,490					
Herba Rice Group	46,733	57,063					
US Riviana Group	34,294	36,954					
Biosearch, S.A.	0	12,426					
Birkel Group	3,500	0					
Other companies	1,530	274					
<b>Short-term bank loans and credit facilities</b>	<b>226,755</b>	<b>172,881</b>					
<b>Total bank loans and credit facilities</b>	<b>735,309</b>	<b>526,081</b>					



The detail of the aforementioned borrowings on the basis of the currency in which they are denominated is as follows:

<b>CURRENCY</b>	<b>12-31-10</b>	<b>12-31-09</b>
Euro	98,047	185,772
US dollar	418,403	542,495
Moroccan dirham	5,573	5,376
Egyptian pound	2,313	0
Thai baht	0	1,666
Polish zloty	1,745	0
<b>Total</b>	<b>526,081</b>	<b>735,309</b>

The long-term bank loans of Ebro Foods, S.A. financed the investments in Riviana Inc (2004), Panzani SAS (2005) and New Word Pasta Company (2006) and are guaranteed by the subsidiaries Puleva Foods, S.L., (until August 2010 when it ceased to be guarantor), Herba Food, S.L., Herba Ricemills, S.L., Panzani SAS and Riviana Foods Inc., and relate to:

- A syndicated loan agreement entered into in November 2004, novated in May 2005 and again in November 2006 and April 2009, amounting to EUR 287.9 million, which was repaid in full in 2010 in accordance with the repayment schedule (EUR 71 million remained outstanding at 31 December 2009). This euro loan bears annual interest at 1-, 3-, 6 or 12-month EURIBOR, plus a market spread.
- A syndicated loan agreement entered into in May 2005, novated in November 2006, April 2009 and August 2010, amounting to USD 221 million (an initial USD 440 million less USD 44 million repaid early in the April 2009 novation and less USD 175 million repaid early in the August 2010 novation), the principal of which will be repaid in six half-yearly instalments of USD 36.8 million from October 2011 onwards. This US dollar loan bears annual interest at 1-, 3-, 6- or 12-month LIBOR plus a market spread.
- Bilateral loan agreement entered into in November 2006 and novated in April 2009 and July 2010, amounting to USD 190 million, the principal of which will be repaid in four half-yearly instalments of USD 47.5 million from May 2015 onwards. This US dollar loan bears annual interest at 1-, 3-, 6- or 12-month LIBOR plus a market spread.

The long-term bank loans also include the loan obtained by the Riviana Group in May 2007 to replace the bridge loan arranged in October 2006 for an initial amount of USD 246 million less USD 24.6 million repaid early in May 2009. This loan was granted for the acquisition of the Minute Rice brand and bears interest at LIBOR plus a market spread. This loan is being repaid over five years in ten equal half-yearly instalments, the first of which was paid in November 2007. It is guaranteed by the other US subsidiary NWP Inc.

In relation to the other bank borrowings, at 31 December 2010 the various Group companies had arranged unsecured credit facilities with banks with a total limit of around EUR 330 million (31 December 2009: EUR 480 million),

against which a total of EUR 108 million had been drawn down at 31 December 2010 (31 December 2009: EUR 130 million). The credit facilities of the Panzani Group, with a limit of EUR 30 million in 2010 (2009: EUR 88 million) are secured by collection rights.

At 31 December 2010 and 2009, there were also note and bill discounting facilities, issues of guarantees and other bank guarantees, the detail being as follows:

#### At 31 December 2010

##### FINANCING ARRANGED

	Amount drawn down	Amount available	Total limit
Note and bill discounting facilities	908	1,000	1,908
Bank guarantee lines	93,677	55,849	149,526
<b>Total consolidated Group</b>	<b>94,585</b>	<b>56,849</b>	<b>151,434</b>

#### At 31 December 2009

##### FINANCING ARRANGED

	Amount drawn down	Amount available	Total limit
Note and bill discounting facilities	848	1,473	2,321
Bank guarantee lines	121,827	91,618	213,445
<b>Total consolidated Group</b>	<b>122,675</b>	<b>93,091</b>	<b>215,766</b>

The average annual interest rate on the short-term loans in 2010 was 2.3%.

Certain ratios over the term of the long-term loans of Ebro Foods, S.A. and the loan of the Riviana Group, based on the consolidated financial statements of the Ebro Foods Group or the aggregate of Riviana/NWP, respectively, must be achieved at all times. 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 2010 and 2009, all the ratios were being achieved.

### 23. Other non-financial payables

These relate to various payables that are not material on an individual basis.

### 24. Trade and other payables

The detail of "Trade and Other Payables" is as follows:

	12-31-10	12-31-09
Trade payables	287,869	209,684
Other payables	29,647	30,611
Remuneration payable	34,947	32,302
Trade payables relating to the dairy product business sold in 2010		52,191
<b>Total</b>	<b>352,463</b>	<b>324,788</b>

Trade payables do not bear interest and, in general, mature at between 60 and 80 days. The other payables are also non-interest bearing, with average maturity of three months. They relate mainly to payables on purchases of property, plant and equipment, trade discounts and rebates and commercial media and marketing payables.

**Disclosures on the payment periods to suppliers. Additional Provision Three. "Disclosure obligation" provided for in Law 15/2010, of 5 July.**

The balance of the Spanish Group companies payable to suppliers, which at 31 December 2010, was past due by more than the maximum payment period, was EUR 934 thousand.

## 25. Tax matters

The detail of the tax receivables and payables at 31 December 2010 and 2009 is as follows (in thousands of euros):

	Tax receivables		Tax payables	
	12-31-10	12-31-09	12-31-10	12-31-09
VAT and personal income tax withholdings	29,857	23,297	(12,087)	(8,800)
Social security taxes			(1,449)	(1,884)
Grants receivable	3,420	5,348		
Other tax receivables and payables	286	8,070	(2,715)	(3,003)
<b>Total tax receivables and payables</b>	<b>33,563</b>	<b>36,715</b>	<b>(16,251)</b>	<b>(13,687)</b>
<b>Net income tax payable</b>	<b>3,222</b>	<b>28,650</b>	<b>(8,584)</b>	<b>(3,443)</b>

Certain companies in the consolidated Group file consolidated tax returns on the basis of the applicable tax and other legislation in each country. The companies that file tax returns in this way are: most of the Spanish companies (Spanish tax group), the Riviana Group (US) and the French Panzani Group.

Also, income tax rates vary from one country to another and include most notably due to their relative importance: 30% in Spain, 34.93% in France, 37.5% in the US and 30% in Germany. The specific line item called "Effect of Different Tax Rates (Tax Base)" in the table below shows the effects of the differences in the tax rates in each country with respect to 30%.

The detail of the tax payable by the consolidated Group for accounting purposes for the years ended 31 December 2010 and 2009 is as follows (in thousands of euros):

<b>INCOME STATEMENT - INCOME TAX</b>	<b>12-31-10</b>	<b>12-31-09</b>
Current income tax expense - continuing operations	29,227	15,979
Current income tax expense - sale of discontinued operations	113,281	17,135
Total deferred tax expense	23,503	24,312
Reclassification to expenses due to impairment of goodwill	0	(15,953)
Deferred tax expense recognised in equity	15,012	(694)
Adjustment of prior year's tax	6,743	1,511
Adjustment of net deferred taxes	(3,747)	811
Equivalent tax payable	4,466	1,471
	<b>188,485</b>	<b>44,572</b>

**TAX EXPENSE RECOGNISED DIRECTLY IN EQUITY**

	12-31-10	12-31-09
Expenses incurred in change of share capital of subsidiaries	0	0
Change in fair value of financial assets	15,472	(19)
Change due to actuarial gains and losses	(460)	(675)
	<b>15,012</b>	<b>(694)</b>

	12-31-10		12-31-09	
	Accounting	Tax	Accounting	Tax
Profit before tax from continuing operations	193,362	193,362	124,436	124,436
Profit before tax from sale of discontinued operations (Note 7)	355,963	355,963	57,102	57,102
Reclassification to expenses due to impairment of goodwill	0	0	15,953	15,953
Profit before tax recognised in equity	50,407	50,407	(1,934)	(1,934)
Foreign currency hedges recognised in translation differences	(32,938)	(32,938)	12,764	12,764
	<b>566,794</b>	<b>566,794</b>	<b>208,321</b>	<b>208,321</b>
Permanent differences of Group companies	854	854	1,162	1,162
Permanent differences due to consolidation adjustments	29,006	29,006	(15,609)	(15,609)
Tax losses for the year	14,545	14,545	6,655	6,655
Offset of individual tax losses	(453)	(453)	(1,525)	(1,525)
<b>Adjusted accounting profit</b>	<b>610,746</b>	<b>610,746</b>	<b>199,004</b>	<b>199,004</b>
Temporary differences of Group companies		(63,131)		(62,217)
Temporary differences due to consolidation adjustments		(4,410)		3,410
Tax losses for the year		2,852		12,097
Offset of tax losses		(50,656)		(39,833)
<b>Adjusted taxable profit</b>	<b>610,746</b>	<b>495,401</b>	<b>199,004</b>	<b>112,461</b>
Effect of different tax rates (tax base)	22,593	9,820	26,105	8,613
<b>Taxable profit of the accounting Group</b>	<b>633,339</b>	<b>505,221</b>	<b>225,109</b>	<b>121,074</b>
Net tax payable at 30%	190,002	151,566	67,533	36,322
Tax credits taken	(8,979)	(9,059)	(10,800)	(3,208)
<b>Net tax payable</b>	<b>181,023</b>	<b>142,507</b>	<b>56,733</b>	<b>33,114</b>
Adjustment of prior year's tax	6,743		1,511	
Adjustment of net deferred taxes	(3,747)		810	
Equivalent tax payable	4,466	4,466	1,471	0
Reclassification to expenses due to impairment of goodwill	0		(15,953)	
Adjustment of prior year's net tax payable		0		2,567
<b>Total tax expense</b>	<b>188,485</b>	<b>146,973</b>	<b>44,572</b>	<b>35,681</b>
Tax expense - continuing operations	63,945		31,156	
Tax expense - sale of discontinued operations (Note 7)	119,409		10,281	
Tax expense recognised in equity	15,012		(694)	
Tax expense recognised in translation differences	(9,881)		3,829	
	<b>188,485</b>		<b>44,572</b>	

"Foreign Currency Hedges Recognised in Translation Differences" relates to the effect of the exchange differences recognised directly in translation differences due to the natural hedging of the US dollar loan in relation to the investments in Riviana and NWP.

The total expense for tax purposes less withholdings and prepayments in 2010 resulted in income tax payable (net tax payable).

The companies' temporary differences in 2010 and 2009 were as follows:

- Net increase of EUR 32,938 thousand (2009: decrease of EUR 12,764 thousand) as a result of the net exchange differences on the hedging of the US dollar loans.
- Decrease of EUR 51,101 thousand (2009: increase of EUR 1,956 thousand) due to the effect of the recognition at fair value of the available-for-sale financial assets (2009: EUR 0) and to the actuarial changes in the pension obligations, recognised directly in equity.
- Decrease of EUR 16,504 thousand (2009: EUR 14,938 thousand) due to the temporary differences of NWP relating basically to the amortisation of trademarks and the depreciation and amortisation of other assets for tax purposes.
- Decrease of EUR 20,780 thousand (2009: EUR 20,780 thousand) due to the amortisation for tax purposes of the goodwill arising from acquisitions of foreign operations.

- ▮ Increase of EUR 7,500 thousand (2009: EUR 7,500 thousand) due to the reversal in 2010 (the last year of the four stipulated under the related legislation) of the tax credit taken in 2006 in relation to the investment in NWP.
- ▮ Decrease of EUR 15,184 thousand (2009: EUR 23,191 thousand), principally at the Riviana Group, due mainly to the amortisation for tax purposes of trademarks, and to transactions of other companies with positive or negative tax effects arising from provisions reversed and/or recognised in the year, to the recognition and/or reversal of impairment losses on non-current and financial assets and to provisions for other contingencies that were or were not deductible for tax purposes in the year.

The temporary differences due to consolidation adjustments in 2010 and 2009 relate primarily to the elimination of intra-Group gains of the sale of investment property and the elimination of provisions recognised for investments between Group companies.

In 2009, the tax losses recognised as temporary differences arose mainly from the impairment of goodwill amounting to EUR 12,000 thousand in the case of the Biosearch, S.A. extracts business, and from the offset of prior years' tax losses of NWP (EUR 32,220 thousand) and of the Spanish tax group (EUR 7,536 thousand).

In 2010 the tax losses recognised as temporary differences arose mainly from the offset of the prior years' tax losses of NWP against the gain on the acquisition of EUR 49,670 thousand.

The companies' permanent differences relate basically to adjustments for inflation made to non-current assets sold during the year, to tax expenses that were not reversed, to the application for tax purposes of losses on non-current financial assets and to the reversal of certain provisions that were not deductible for tax purposes when they were recognised in prior years.

Lastly, the permanent differences due to consolidation adjustments relate mainly to the elimination and related reversal of amounts recognised under provisions between companies in subgroups that belong to the accounting group. However, in 2010 the provisions include EUR 27,613 thousand relating to the portion of the consolidated reserves of the dairy product group sold in 2010, to which the double taxation tax credit is not applicable.

The tax credits relate mainly to tax credits for new product development and innovation expenditure, for patronage and the reinvestment of income from non-current asset sales. The amount of reinvestments made by the Spanish tax group that entitled it to take tax credits for the reinvestment of income in 2010 was EUR 47.7 million (2009: EUR 1.5 million) (EUR 16.2 million, EUR 11.2 million and EUR 76.3 million, in the period from 2008 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 2010, there were unused reinvestment tax credits amounting to EUR 49.1 million, which are conditional upon reinvestment by the Spanish tax group of EUR 818 million (within a time frame that ends mainly in August 2013).

The detail of the deferred taxes for the years ended 31 December 2010 and 2009 is as follows (in thousands of euros):

	12-31-10		12-31-09	
	Assets	Liabilities	Assets	Liabilities
Balance at 1 January	52,412	(144,839)	46,688	(136,199)
Transfer of balances	(1,526)	(647)	3,698	(1,969)
Translation differences	2,615	(2,355)	77	1,163
Reductions due to the sale of the dairy product business	(4,587)	608	0	0
Recognised in / derecognised from profit or loss	(17,281)	(1,076)	(12,084)	(8,308)
Recognised in / derecognised from equity	(142)	(15,113)	642	(98)
Adjustments	1,175	(20,881)	(2,348)	358
Change in provision for deferred taxes	31,488	(9,452)	15,739	214
<b>Balance at 31 December</b>	<b>64,154</b>	<b>(193,755)</b>	<b>52,412</b>	<b>(144,839)</b>

The detail, by most significant line item, of the deferred taxes at 31 December 2010 and 2009 is as follows:

	12-31-10		12-31-09	
	Deferred tax		Deferred tax	
	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment	5,113	(56,214)	5,998	(55,829)
Investment property	6,329	0	7,245	0
Goodwill	5,629	(33,316)	7,583	(27,696)
Other intangible assets	3,198	(66,172)	3,788	(47,814)
Inventories	2,768	(2,288)	1,721	(2,368)
Accounts receivable and prepayments and accrued income	337	(223)	801	(283)
Pension and similar obligations	6,667	2,214	4,431	2,303
Other long-term provisions	7,680	(1,310)	6,718	(10)
Accounts payable and accrued expenses and deferred income	9,660	(550)	8,203	(1,368)
Tax credit carryforwards	10,808	0	8,577	0
Tax loss carryforwards	5,963	0	28,562	0
Deferral of tax benefits	0	(13,604)	0	(3,115)
Valuation adjustments relating to held-for-sale financial assets	0	(15,472)	0	0
Provisions and tax credits for reinvestment of income of the tax group	2	(6,820)	273	(18,111)
	<b>64,154</b>	<b>(193,755)</b>	<b>83,900</b>	<b>(154,291)</b>
Provision for deferred taxes	0	0	(31,488)	9,452
<b>Total</b>	<b>64,154</b>	<b>(193,755)</b>	<b>52,412</b>	<b>(144,839)</b>

The changes in the provisions relate in full to NWP for a net total of EUR 22,036 thousand. In 2010 the subsidiary NWP (US) was able to use all its remaining tax loss carryforwards once the last year for use of these tax assets was clarified. Consequently, they were recognised in 2010. The subsidiary also has tax credit carryforwards of EUR 10,546 thousand (other than those arising from tax losses) to which no limitations apply and deferred taxes for similar amounts, which have been reclassified as liabilities.

In addition to the aforementioned tax loss carryforwards of the Group companies, at 31 December 2010 there were tax loss carryforwards available for offset over the coming 15 years amounting to EUR 25 million (31 December 2009: EUR 20 million).

Also, the Spanish tax group has all years since 2004 open for review by the tax authorities for all the taxes applicable to it. The other Group companies have the taxes and years open for review in accordance with the local legislation applicable in each case which have not previously been subject to tax audit and which in most cases are the years since 2006.

## 26. Obligations and contingencies

### Obligations under operating leases - Group as lessee

The Group holds certain vehicles, machinery, warehouses and offices under operating leases. These leases have an average term of between three and five years, without any renewal clauses in the leases. There are no restrictions on the lessee with respect to the arrangement of these leases. The detail of the future minimum lease payments under non-cancellable operating leases at 31 December 2009 and 2008 is as follows (in thousands of euros):

	12-31-10	12-31-09
Within one year	7,372	6,827
Between one and five years	18,799	17,510
After five years	902	353
<b>Total</b>	<b>27,073</b>	<b>24,690</b>

### Obligations under operating leases - Group as lessor

The Group has leased out various buildings within its investment property portfolio. These non-cancellable leases have residual terms of between three and five years. All the leases include a clause to increase the lease payments annually, based on prevailing market conditions. The detail of the future minimum lease payments receivable under non-cancellable operating leases at 31 December 2010 and 2009 is as follows (in thousands of euros):

	12-31-10	12-31-09
Within one year	485	543
Between one and five years	928	420
After five years	97	0
<b>Total</b>	<b>1,510</b>	<b>963</b>

### Non-current asset investment commitments

At 31 December 2010, the Group had investment commitments for acquisitions and renewals of machinery amounting to EUR 18,000 thousand (31 December 2009: EUR 21,000 thousand) and computer software amounting to EUR 3,000 thousand (31 December 2009: EUR 3,500 thousand).

### Commitments relating to inventories

See information disclosed in Note 15.

### Legal proceedings and guarantees relating to disputes

See information disclosed in Note 21.

### Guarantees

At the end of 2010 and 2009 the following bank guarantees had been provided:

	12-31-10	12-31-09
From banks: to courts and agencies for economic-administrative claims and tax deferral (Note 21)	38,615	68,299
From banks: to FEAGA, customs authorities and third parties to guarantee the fulfilment of ordinary trading obligations	54,641	53,170
Other bank guarantees	421	358
To banks to guarantee the fulfilment of obligations of associates and non-Group companies	367	51,808
<b>Total</b>	<b>94,044</b>	<b>173,635</b>

In 2009 guarantees (counterguarantees) amounting to EUR 64,427 thousand were provided to courts and agencies in relation to claims of which a significant amount was recovered in 2010, in order to cover the guarantees provided by Azucarera Ebro, S.L. in the litigation in which it is involved. Based on the contractual agreements entered into, Ebro Foods, S.A. has guaranteed to the buyer of Azucarera Ebro, S.L. that it will cover any liability that might arise from the outcome of this litigation (see Note 21.1).

In relation to the guarantees existing at 31 December 2009 of guarantees provided to banks to secure payment in transactions of other companies for the syndicated loan arranged by Biocarburantes de Castilla y León, S.A. in 2004 with various banks, as expected, Ebro Foods, S.A. ceased to act as guarantor from 1 June 2010 onwards, thereby cancelling these guarantees without being liable for them. The balance at 31 December 2010 relates to the guarantee provided by the Group to one of the associates.

Lastly, the credit facilities granted to the Panzani Group with a limit of EUR 30 million in 2010 (2009: EUR 88 million) are secured by collection rights.

## 27. 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 operations are not secured, are not interest bearing and are settled in cash.

During the years ended 31 December 2010 and 2009 the Group 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.

In preparing information on related-party transactions, the following changes in the structure of the Board and the changes in the scope of the Ebro Foods Group companies in 2010 were taken into account:

- ▶ The significant shareholder Instituto Hispánico del Arroz, S.A. was appointed director on 1 June 2010 and, consequently, the transactions performed from 1 January to 31 May (inclusive) are included in the Note relating to significant shareholders while the transactions performed from 1 June 2010 are included under the Note on Directors.
- ▶ Caja España de Inversiones and Juan Domingo Ortega Martínez stepped down from the Board of Directors on 1 June 2010 and, therefore, the amount reflected in the 2010 column relates only to related-party transactions performed from 1 January to 31 May (inclusive).
- ▶ Caja de Ahorros de Salamanca y Soria stepped down from the Board of directors on 22 September 2010 and, therefore, the amount reflected in the 2010 column relates only to related-party transactions performed from 1 January to 21 September 2010 (inclusive).
- ▶ Puleva Food, S.L. was sold on 2 September 2010 and, consequently, only the related-party transactions performed with this company from 1 January to 1 September 2010 were included.



## 27.1 Related-party transactions with significant shareholders (or parties related to them) of Ebro Foods, S.A., excluding directors

Note 18.1 lists the companies that have a significant ownership interest in the share capital of Ebro Foods, S.A. (Parent of the Ebro Foods Group).

The transactions, excluding dividends, of any Ebro Foods Group company with these significant shareholders (unless they are directors, in which case they are reflected in Note 27.2) are summarised as follows (in thousands of euros):

Significant shareholder	Ebro Foods Group Company	Type of transaction	Amount 2010	Amount 2009
Instituto Hispánico Del Arroz, S.A.	Herba Ricemills, S.L.U.	Sale of goods (Finished goods or work in progress)	190	216
Instituto Hispánico Del Arroz, S.A.	Boost Nutrition, C.V.	Sale of goods (Finished goods or work in progress)	0	9
Instituto Hispánico Del Arroz, S.A.	S&B Herba Foods, Ltd	Sale of goods (Finished goods or work in progress)	62	230
Instituto Hispánico Del Arroz, S.A.	Herba Ricemills, S.L.U.	Purchase of goods (Finished goods or work in progress)	534	4,442
Instituto Hispánico Del Arroz, S.A.	Boost Nutrition, C.V.	Purchase of goods (Finished goods or work in progress)	0	11
Instituto Hispánico Del Arroz, S.A.	S&B Herba Foods, Ltd	Purchase of goods (Finished goods or work in progress)	84	231
Instituto Hispánico Del Arroz, S.A.	Herba Ricemills, S.L.U.	Sale of property, plant and equipment, intangible assets or other assets	0	5
Instituto Hispánico Del Arroz, S.A.	Herba Ricemills, S.L.U.	Purchase of property, plant and equipment, intangible assets or other assets	0	8
Instituto Hispánico Del Arroz, S.A.	Herba Ricemills, S.L.U.	Services rendered	0	2
Instituto Hispánico Del Arroz, S.A.	Herba Ricemills, S.L.U.	Services received	0	87
Instituto Hispánico Del Arroz, S.A.	Herba Ricemills, S.L.U.	Leases	0	76
Instituto Hispánico Del Arroz, S.A. (Dehesa Norte, S. A.)	Herba Ricemills, S.L.U.	Sale of goods (Finished goods or work in progress)	124	226
Instituto Hispánico Del Arroz, S.A. (Dehesa Norte, S. A.)	Boost Nutrition, C.V.	Sale of goods (Finished goods or work in progress)	0	9
Instituto Hispánico Del Arroz, S.A. (Dehesa Norte, S. A.)	S&B Herba Foods, Ltd	Sale of goods (Finished goods or work in progress)	62	228
Instituto Hispánico Del Arroz, S.A. (Dehesa Norte, S. A.)	Herba Ricemills, S.L.U.	Purchase of goods (Finished goods or work in progress)	95	222
Instituto Hispánico Del Arroz, S.A. (Dehesa Norte, S. A.)	Boost Nutrition, C.V.	Purchase of goods (Finished goods or work in progress)	0	11
Instituto Hispánico Del Arroz, S.A. (Dehesa Norte, S. A.)	S&B Herba Foods, Ltd	Purchase of goods (Finished goods or work in progress)	84	228
Instituto Hispánico Del Arroz, S.A. (Islasur, S.A.)	Herba Ricemills, S.L.U.	Sale of goods (Finished goods or work in progress)	39	209
Instituto Hispánico Del Arroz, S.A. (Islasur, S.A.)	Boost Nutrition, C.V.	Sale of goods (Finished goods or work in progress)	90	140
Instituto Hispánico Del Arroz, S.A. (Islasur, S.A.)	S&B Herba Foods, Ltd	Sale of goods (Finished goods or work in progress)	62	105
Instituto Hispánico Del Arroz, S.A. (Islasur, S.A.)	Herba Ricemills, S.L.U.	Purchase of goods (Finished goods or work in progress)	27	217
Instituto Hispánico Del Arroz, S.A. (Islasur, S.A.)	Boost Nutrition, C.V.	Purchase of goods (Finished goods or work in progress)	94	142
Instituto Hispánico Del Arroz, S.A. (Islasur, S.A.)	S&B Herba Foods, Ltd	Purchase of goods (Finished goods or work in progress)	84	106
Instituto Hispánico Del Arroz, S.A. (Australian Commodities, S. A.)	Herba Ricemills, S.L.U.	Sale of goods (Finished goods or work in progress)	45	213
Instituto Hispánico Del Arroz, S.A. (Australian Commodities, S. A.)	Boost Nutrition, C.V.	Sale of goods (Finished goods or work in progress)	90	56
Instituto Hispánico Del Arroz, S.A. (Australian Commodities, S. A.)	S&B Herba Foods, Ltd	Sale of goods (Finished goods or work in progress)	63	214
Instituto Hispánico Del Arroz, S.A. (Australian Commodities, S. A.)	Herba Ricemills, S.L.U.	Purchase of goods (Finished goods or work in progress)	24	215
Instituto hispánico del arroz, S.A. (Australian Commodities, S. A.)	Boost Nutrition, C.V.	Purchase of goods (Finished goods or work in progress)	94	57

Significant shareholder	Ebro Foods Group Company	Type of transaction	Amount 2010	Amount 2009
Instituto Hispánico Del Arroz, S.A. (Australian Commodities, S. A.)	S&B Herba Foods, Ltd	Purchase of goods (Finished goods or work in progress)	85	215
Instituto Hispánico Del Arroz, S.A. (El Cobujon, S. A.)	Herba Ricemills, S.L.U.	Sale of goods (Finished goods or work in progress)	113	230
Instituto Hispánico Del Arroz, S.A. (El Cobujon, S. A.)	Boost Nutrition, C.V.	Sale of goods (Finished goods or work in progress)	6	9
Instituto Hispánico Del Arroz, S.A. (El Cobujon, S. A.)	S&B Herba Foods, Ltd	Sale of goods (Finished goods or work in progress)	62	218
Instituto Hispánico Del Arroz, S.A. (El Cobujon, S. A.)	Herba Ricemills, S.L.U.	Purchase of goods (Finished goods or work in progress)	92	231
Instituto Hispánico Del Arroz, S.A. (El Cobujon, S. A.)	Boost Nutrition, C.V.	Purchase of goods (Finished goods or work in progress)	7	11
Instituto Hispánico Del Arroz, S.A. (El Cobujon, S. A.)	S&B Herba Foods, Ltd	Purchase of goods (Finished goods or work in progress)	84	218
Instituto Hispánico Del Arroz, S.A. (Mundiarroz, S. A.)	Herba Ricemills, S.L.U.	Sale of goods (Finished goods or work in progress)	46	232
Instituto Hispánico Del Arroz, S.A. (Mundiarroz, S. A.)	Boost Nutrition, C.V.	Sale of goods (Finished goods or work in progress)	85	23
Instituto Hispánico Del Arroz, S.A. (Mundiarroz, S. A.)	S&B Herba Foods, Ltd	Sale of goods (Finished goods or work in progress)	62	232
Instituto Hispánico Del Arroz, S.A. (Mundiarroz, S. A.)	Herba Ricemills, S.L.U.	Purchase of goods (Finished goods or work in progress)	24	233
Instituto Hispánico Del Arroz, S.A. (Mundiarroz, S. A.)	Boost Nutrition, C.V.	Purchase of goods (Finished goods or work in progress)	90	24
Instituto Hispánico Del Arroz, S.A. (Mundiarroz, S. A.)	S&B Herba Foods, Ltd	Purchase of goods (Finished goods or work in progress)	84	234
Instituto Hispánico Del Arroz, S.A. (Pesquería Isla Mayor, S. A.)	Herba Ricemills, S.L.U.	Sale of goods (Finished goods or work in progress)	116	342
Instituto Hispánico Del Arroz, S.A. (Pesquería Isla Mayor, S. A.)	Boost Nutrition, C.V.	Sale of goods (Finished goods or work in progress)	24	17
Instituto Hispánico Del Arroz, S.A. (Pesquería Isla Mayor, S. A.)	S&B Herba Foods, Ltd	Sale of goods (Finished goods or work in progress)	62	105
Instituto Hispánico Del Arroz, S.A. (Pesquería Isla Mayor, S. A.)	Herba Ricemills, S.L.U.	Purchase of goods (Finished goods or work in progress)	90	341
Instituto Hispánico Del Arroz, S.A. (Pesquería Isla Mayor, S. A.)	Boost Nutrition, C.V.	Purchase of goods (Finished goods or work in progress)	29	18
Instituto Hispánico Del Arroz, S.A. (Pesquería Isla Mayor, S. A.)	S&B Herba Foods, Ltd	Purchase of goods (Finished goods or work in progress)	84	106
Instituto Hispánico Del Arroz, S.A. (Dehesa Norte, S.A.)	Herba Nutrición, S.L.U.	Sale of goods (Finished goods or work in progress)	0	1
Instituto Hispánico Del Arroz, S.A. (Dehesa Norte, S.A.)	Herba Nutrición, S.L.U.	Sale of goods (Finished goods or work in progress)	0	1
Sociedad Anónima Damm (Estrella De Levante, S.A.)	Herba Ricemills, S.L.U.	Sale of goods (Finished goods or work in progress)	218	1
Sociedad Anónima Damm	Herba Ricemills, S.L.U.	Sale of goods (Finished goods or work in progress)	2,167	2,041
Sociedad Anónima Damm (Plataforma Continental, S.L.)	Herba Ricemills, S.L.U.	Sale of goods (Finished goods or work in progress)	208	90
Instituto Hispánico Del Arroz, S.A.	Herba Foods, S.L.U.	Services received	25	50
Instituto Hispánico Del Arroz, S.A.	Herba Nutrición, S.L.U.	Sale of goods (Finished goods or work in progress)	0	1
Instituto Hispánico Del Arroz, S.A. (Dehesa Norte, S.A.)	Herba Nutrición, S.L.U.	Sale of goods (Finished goods or work in progress)	0	1
Sociedad Anónima Damm (Cerbedam, S.L.)	Puleva Food, S.L.	Sale of goods (Finished goods or work in progress)	16	21
Sociedad Anónima Damm (Cerbeleva, S.L.)	Puleva Food, S.L.	Sale of goods (Finished goods or work in progress)	35	64
Sociedad Anónima Damm (Distridam, S.L.)	Puleva Food, S.L.	Sale of goods (Finished goods or work in progress)	274	392

## 27.2 Related-party transactions with directors and executives (or parties related to them) of Ebro Foods, S.A.

The transactions, excluding dividends, between Ebro Foods, S.A. and its directors and executives is as follows (in thousands of euros):

Directors / Executives	Ebro Foods Group Company	Type of transaction	Amount 2010	Amount 2009
Instituto Hispánico Del Arroz, S.A.	Herba Ricemills, S.L.U.	Sale of goods (Finished goods or work in progress)	143	0
Instituto Hispánico Del Arroz, S.A.	Boost Nutrition, C.V.	Sale of goods (Finished goods or work in progress)	127	0
Instituto Hispánico Del Arroz, S.A.	Herba Ricemills, S.L.U.	Purchase of goods (Finished goods or work in progress)	3,381	0
Instituto Hispánico Del Arroz, S.A.	Boost Nutrition, C.V.	Purchase of goods (Finished goods or work in progress)	127	0
Instituto Hispánico Del Arroz, S.A.	Herba Ricemills, S.L.U.	Sale of property, plant and equipment, intangible assets or other assets	4	0
Instituto Hispánico Del Arroz, S.A.	Herba Ricemills, S.L.U.	Leases	102	0
Instituto Hispánico Del Arroz, S.A. (Dehesa Norte, S.A.)	Herba Ricemills, S.L.U.	Sale of goods (Finished goods or work in progress)	228	0
Instituto Hispánico Del Arroz, S.A. (Dehesa Norte, S.A.)	Boost Nutrition, C.V.	Sale of goods (Finished goods or work in progress)	9	0
Instituto Hispánico Del Arroz, S.A. (Dehesa Norte, S.A.)	Herba Ricemills, S.L.U.	Purchase of goods (Finished goods or work in progress)	229	0
Instituto Hispánico Del Arroz, S.A. (Dehesa Norte, S.A.)	Boost Nutrition, C.V.	Purchase of goods (Finished goods or work in progress)	9	0
Instituto Hispánico Del Arroz, S.A. (Islasur, S.A.)	Boost Nutrition, C.V.	Sale of goods (Finished goods or work in progress)	172	0
Instituto Hispánico Del Arroz, S.A. (Islasur, S.A.)	S&B Herba Foods, Ltd	Sale of goods (Finished goods or work in progress)	6	0
Instituto Hispánico Del Arroz, S.A. (Islasur, S.A.)	Herba Ricemills, S.L.U.	Purchase of goods (Finished goods or work in progress)	19	0
Instituto Hispánico Del Arroz, S.A. (Islasur, S.A.)	Boost Nutrition, C.V.	Purchase of goods (Finished goods or work in progress)	172	0
Instituto Hispánico Del Arroz, S.A. (Islasur, S.A.)	S&B Herba Foods, Ltd	Purchase of goods (Finished goods or work in progress)	6	0
Instituto Hispánico Del Arroz, S.A. (Australian Commodities, S.A.)	Boost Nutrition, C.V.	Sale of goods (Finished goods or work in progress)	165	0
Instituto Hispánico Del Arroz, S.A. (Australian Commodities, S.A.)	Boost Nutrition, C.V.	Purchase of goods (Finished goods or work in progress)	165	0
Instituto Hispánico Del Arroz, S.A. (Australian Commodities, S.A.)	Herba Ricemills, S.L.U.	Purchase of goods (Finished goods or work in progress)	107	0
Instituto Hispánico Del Arroz, S.A. (El Cobujon, S.A.)	Herba Ricemills, S.L.U.	Sale of goods (Finished goods or work in progress)	119	0
Instituto Hispánico Del Arroz, S.A. (El Cobujon, S.A.)	Boost Nutrition, C.V.	Sale of goods (Finished goods or work in progress)	121	0
Instituto Hispánico Del Arroz, S.A. (El Cobujon, S.A.)	Euryza Gmbh	Sale of goods (Finished goods or work in progress)	17	0
Instituto Hispánico Del Arroz, S.A. (El Cobujon, S.A.)	Herba Ricemills, S.L.U.	Purchase of goods (Finished goods or work in progress)	119	0
Instituto Hispánico Del Arroz, S.A. (El Cobujon, S.A.)	Boost Nutrition, C.V.	Purchase of goods (Finished goods or work in progress)	121	0
Instituto Hispánico Del Arroz, S.A. (El Cobujon, S.A.)	Euryza Gmbh	Purchase of goods (Finished goods or work in progress)	17	0
Instituto Hispánico Del Arroz, S.A. (Mundiarroz, S.A.)	Boost Nutrition, C.V.	Sale of goods (Finished goods or work in progress)	255	0
Instituto Hispánico Del Arroz, S.A. (Mundiarroz, S.A.)	Euryza Gmbh	Sale of goods (Finished goods or work in progress)	46	0
Instituto Hispánico Del Arroz, S.A. (Mundiarroz, S.A.)	Boost Nutrition, C.V.	Purchase of goods (Finished goods or work in progress)	256	0
Instituto Hispánico Del Arroz, S.A. (Mundiarroz, S.A.)	Euryza Gmbh	Purchase of goods (Finished goods or work in progress)	46	0
Instituto Hispánico Del Arroz, S.A. (Pesquería Isla Mayor, S.A.)	Herba Ricemills, S.L.U.	Sale of goods (Finished goods or work in progress)	34	0

Directors / Executives	Ebro Foods Group Company	Type of transaction	Amount 2010	Amount 2009
Instituto Hispánico Del Arroz, S.A. (Pesquería Isla Mayor, S.A.)	Boost Nutrition, C.V.	Sale of goods (Finished goods or work in progress)	128	0
Instituto Hispánico Del Arroz, S.A. (Pesquería Isla Mayor, S.A.)	S&B Herba Foods, Ltd	Sale of goods (Finished goods or work in progress)	115	0
Instituto Hispánico Del Arroz, S.A. (Pesquería Isla Mayor, S.A.)	Herba Ricemills, S.L.U.	Purchase of goods (Finished goods or work in progress)	34	0
Instituto Hispánico Del Arroz, S.A. (Pesquería Isla Mayor, S.A.)	Boost Nutrition, C.V.	Purchase of goods (Finished goods or work in progress)	129	0
Instituto Hispánico Del Arroz, S.A. (Pesquería Isla Mayor, S.A.)	S&B Herba Foods, Ltd	Purchase of goods (Finished goods or work in progress)	115	0
Instituto Hispánico Del Arroz, S.A.	Herba Foods, S.L.U.	Services received	25	0
Juan Domingo Ortega Martínez (Quesos Forlasa, S.A.)	Puleva Food, S.L.U.	Sale of goods (Finished goods or work in progress)	1,760	156
Caja De Ahorros De Salamanca y Soria	Puleva Food, S.L.U.	Sale of goods (Finished goods or work in progress)	0	3
Caja De Ahorros De Salamanca y Soria	Ebro Foods, S.A.	Financing agreements: Loans borrower	Available: 51,203 Drawn down: 51,203	Available: 48,509 Drawn down: 48,509
Caja España De Inversiones, C.A.M.P.	Ebro Foods, S.A.	Financing agreements: Loans borrower	Available: 28,390 Drawn down: 28,390	Available: 24,253 Drawn down: 24,253
Caja España De Inversiones, C.A.M.P.	Ebro Foods, S.A.	Financing agreements: Loans borrower	Available: 6,000 Drawn down: 144	Available: 6,000 Drawn down: 144

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

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

#### Dividends 2010:

- Dividends to significant shareholders: 28,400
- Dividends to directors and executives: 21,419

#### Dividends 2009:

- Dividends to significant shareholders: 30,032
- Dividends to directors and executives: 24,404

### 27.4 Related-party transactions with other Ebro Foods Group companies which were not eliminated in the process of preparing the consolidated financial statements and which do not form part of the company's normal business activities in terms of their purpose and terms and conditions

There were no related-party transactions of this type in 2010.

### 27.5 Related-party transactions between Ebro Foods Group companies and Biosearch

Following is a description of the significant transactions with a transfer of funds or obligations performed in 2010 between the Biosearch Group and the wholly-owned subsidiaries of its significant shareholder, Ebro Foods, S.A.: Puleva Food, S.L.U., Herba Ricemills, S.L.U., Boost Nutrition C.V., Riviana Foods, Inc., S&B Herba Foods, Ltd. and Dosbio.

In preparing this information, the following changes were taken into account in the scope of the Ebro Foods Group companies:

- ▶ On 1 July 2010, Biosearch, S.A. sold its ownership interest in Española de I+D, S.A. (the only other subsidiary composing the Biosearch Group). Therefore, the related-party transactions of this subsidiary with the Ebro Foods S.A. Group disclosed below relate to the first half of 2010.
- ▶ On 2 September 2010, Ebro Foods, S.A. sold Puleva Food, S.L.U. to the Lactalis Group. The related-party transactions between Biosearch, S.A. and Puleva Foods, S.L.U. detailed below were performed at the Group during the first eight months of 2010.

Since the shareholders of Ebro Foods, S.A. do not exactly coincide with those of Biosearch, S.A., which is also a listed company, there is a theoretical possibility that potential conflicts of interest may exist. Therefore, the contractual terms and conditions must stipulate that the financial relations between the various Ebro Foods Group companies and the Biosearch Group must be carried out strictly on an arm's length basis, thereby avoiding situations that might be prejudicial to the shareholders of one or the other of the parties that, in their capacity as non-controlling shareholders, do not take part in the decision-making process since they do not form part of the Boards of Directors of the companies party to the agreements.

In 2010 Biosearch, S.A. and Española de I+D, S.A. continued to work with the aforementioned Ebro Foods Group companies under the various agreements between the parties.

#### **1. Relations between Puleva Food, S.L.U. and Biosearch, S.A.**

In 2010 Biosearch, S.A. provided R&D+i services to Puleva Food, S.L.U. based on certain specific agreements, entered into by the two companies in the context of a framework agreement entered into in 2001 to provide advisory activities. The various projects may be grouped together in the following categories:

- ▶ Nutritional and clinical assessment
- ▶ Development of new packaging technologies
- ▶ Development of new products
- ▶ Quality assurance and food safety
- ▶ Product reformulation and ingredient accreditation

The net amount billed for services rendered in 2010 was EUR 1,595 thousand.

In 2010 Biosearch sold Omega-3 products (EPA and DHA) and isoflavones to Puleva Food, S.L.U., amounting to EUR 1,866 thousand.

#### **2. Relations between Herba Ricemills, S.L.U. and Biosearch, S.A.**

Pursuant to the sale and purchase agreement of 1 July 2010, Biosearch, S.A. sold 60% of the share capital of Española de I+D, S.A. to Herba Ricemills, S.L.U. ("Herba"). The total amount of the transaction was EUR 397 thousand.

In 2010 Biosearch, S.A. sold products to Herba, amounting to EUR 166 thousand.

In 2010 Biosearch, S.A. rendered analytical quality services to Herba amounting to EUR 18 thousand and R&D services amounting to EUR 44 thousand and billed EUR 4 thousand in connection with other items.

### **3. Relations between Herba Ricemills, S.L.U. and Española de I+D, S.A. (subsidiary of Biosearch, S.A.)**

In 2010 the value of the services rendered to Herba Ricemills, S.L.U. by Española de I+D, S.A. until the date of its acquisition from Biosearch, S.A. was EUR 361 thousand.

These services form part of the consortium agreement for the R&D+i Project (cereal project) presented to Corporación Tecnológica de Andalucía and Agencia de Innovación y Desarrollo de Andalucía, entered into on 22 February 2007. Led by Herba Ricemills, Española de I+D, S.A. has been contributing to the Project pursuant to the scientific and technical specifications and through the persons detailed in the agreement, the research and development work, resources and services included in the activity framework that constitutes its company object.

### **4. Relations between Ebro Foods, S.A. and Biosearch, S.A.**

In the context of the reform of the sugar CMO, Azucarera Ebro, S.L., then an Ebro Group subsidiary, presented in 2007 the Restructuring Plan of the Northern Region, whereby a certain number of jobs had to be maintained at its plants in Castilla y León, resulting in the Ebro Group's commitment to keep 15 jobs in Peñafiel.

In February 2009, the Boards of Directors of Ebro Foods, S.A. and Biosearch, S.A. authorised an investment project to set up a plant for the production of bioactive ingredients in Peñafiel. In order to carry on this activity, Ebro undertook to contribute the required land so that Biosearch could install the necessary machinery and it also planned to use in the project the employees that the Ebro Group had committed to maintain in Peñafiel.

On 1 January 2010, this group of 15 employees was effectively transferred to Biosearch. However, 10 of these 15 employees subsequently requested to leave the company under a voluntary redundancy scheme. Therefore, there are currently 5 employees at the plant in Peñafiel.

As a result of an agreement entered into on 15 July 2010, Ebro Foods paid Biosearch the amount required to compensate the transfer of employees on 1 January 2010 (EUR 2,399 thousand).

Biosearch, S.A. received services from the Parent Ebro Foods, S.A. in 2010 amounting to EUR 131 thousand, in relation to IT and the passing on of the cost of insurance premiums arranged for the Ebro Foods Group. Also, Biosearch acquired intangible assets of Ebro Foods amounting to EUR 56 thousand.



## 5. Other relations

In 2010 Biosearch, S.A. billed EUR 8 thousand to Boost Nutrition C.V. for analytical quality services rendered. It also rendered various services to Riviana Foods Inc. and S&B Herba Foods Ltd amounting to EUR 1 thousand, respectively.

Up to the exclusion of Puleva Foods, S.L.U. from the scope of consolidation of the Ebro Foods Group, there were current account agreements between Puleva Food, S.L.U. and Ebro Foods, S.A. and the balances resulting from any transfer or loan of cash made between these companies and Biosearch, S.A. bore interest at market rates. In 2010 Biosearch, S.A. paid borrowing costs of EUR 78 thousand in this connection to Puleva Food, S.L.U.

Puleva Food, S.L.U. provides Biosearch, S.A. with certain goods and services such as the lease of the sales offices and of the industrial buildings for the normal performance of its operations, certain industrial supplies, counselling and administrative services, etc. Biosearch, S.A. paid a total of EUR 351 thousand in this connection in 2010.

### 27.6 Directors and executives

**Directors' remuneration** – Ebro Foods, S.A.'s Board members earned total remuneration at all the Group companies amounting to EUR 6,361 thousand in 2010 (2009: EUR 9,930 thousand), the detail being as follows (in thousands of euros):

#### DIRECTORS' REMUNERATION AND OTHER BENEFITS

	2010	2009
<b>Remuneration</b>		
Attendance fees	355	300
Bylaw-stipulated profit sharing	2,565	2,332
<b>Total non-executive directors</b>	<b>2,920</b>	<b>2,632</b>
Wages, salaries and professional fees	3,441	7,298
Termination benefits and other	0	0
<b>Total executive directors</b>	<b>3,441</b>	<b>7,298</b>
<b>Total remuneration</b>	<b>6,361</b>	<b>9,930</b>
<b>Other benefits</b>		
Life insurance and retirement benefits	0	52

The Company'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.

The individualised breakdown of the remuneration in 2010 is as follows:

Director	By-law stipulated profit sharing	Attendance Fees	Attendance fees at other group boards	Remuneration for executive functions	Total
A.Hernandez	352	26	3,5	1,320	1,702
J.Carbo	0	0	0	1,603	1,603
F.Hernandez	0	9	1,5	518	529
Hisparroz	123	11	0	0	134
Caja España	75	15	0	0	90
E.Ruiz Galvez	127	24	0	0	151
Caja Duero	154	21	0	0	175
J. Nieto	39	8	0	0	47
J. I. Comenge	145	27	0	0	172
L. Del Pino	242	26	1,5	0	269
F. Castello	170	31	0	0	201
Alicesa	174	24	0	0	198
J. Barreiro	289	27	0	0	316
B. Hernandez	170	31	0	0	201
J. D. Ortega	73	12	0	0	85
Damm	0	14	0	0	15
D. Carceller	271	15	1,5	0	286
A. Oetker	64	11	0	0	75
S. Daurella	97	15	0	0	112
<b>Total</b>	<b>2,565</b>	<b>347</b>	<b>8</b>	<b>3,441</b>	<b>6,361</b>

The Board of Directors, at its meeting held on 9 February 2011 and at the proposal of the Recruitment and Remuneration Committee resolved, for 2010 and with respect to the Chairman and non-executive directors, to establish the bylaw-stipulated profit-sharing at EUR 2,565,454, and, accordingly, to propose to the shareholders at the Annual General Meeting the assignation of a percentage of 0.66% of the consolidated net profit attributable to the Company in 2010. The Board also resolved to maintain the attendance fees from the previous year at EUR 1,600 for attending Board meetings and EUR 800 for attending the various committee meetings. EUR 347,400 of fees for attending the various collective bodies of Ebro Foods, S.A. were paid in 2010. The fees for attending the Board Meetings of Biosearch, S.A., which were set at EUR 700, were earned by directors of this subsidiary that sit on the Board of Directors of Ebro Foods, S.A. and totalled EUR 7,700. Therefore, the sum total of the attendance fees earned by the directors of Ebro Foods, S.A., both of the Parent and of the aforementioned subsidiary, amounted to EUR 355,100 in 2010.

Of the total remuneration of the executive directors in 2010 amounting to EUR 3,441 thousand, EUR 437 thousand relate to the early settlement, in one case, of the Deferred Annual Remuneration System associated with the 2010-2012 Strategic Plan of the Ebro Foods Group. Also, a EUR 445 thousand provision was recognised in the 2010 separate financial statements as a provisional estimate of the Deferred Annual Remuneration System for that year. This figure will be paid in 2012.

The aforementioned Deferred Annual Remuneration System is not tied to the value of the Ebro Foods share 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.

**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 communicated to the Parent, relating to 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.



- D Antonio Hernández Callejas:
  - Direct ownership interest of 16.666% in Instituto Hispánico del Arroz, S.A. No position is held.
  - Indirect ownership interest of 3.620% in Casarone Agroindustrial, S.A. No position is held.
  - Direct ownership interest of 0.001% in SOS Corporación Alimentaria. He holds the position of director.
- D Blanca Hernández Rodríguez:
  - Direct ownership interest of 16.666% in Instituto Hispánico del Arroz, S.A. No position is held.
  - Indirect ownership interest of 3.020% in Casarone Agroindustrial, S.A. No position is held.

It is hereby stated that Antonio Hernández Callejas and Blanca Hernández Rodríguez hold indirect ownership interests in Ebro Foods, S.A. through the 15.721% ownership interest that Instituto Hispánico del Arroz, S.A. has in this company, directly and through Hispafoods Invest, S.L.

- D Demetrio Carceller Arce:
  - Direct ownership interest of 0.001% in SOS Corporación Alimentaria. He holds the position of director.
- D Dr. Rudolf-August Oetker:
  - He holds a 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 two companies belonging to the Dr. August Oetker KG Group: Dr. Oetker GmbH and Hamburg Südamerikanische Dampfschiffahrts-Gesellschaft KG.

The positions held by the directors at other companies belonging to the Ebro Foods Group, in which they do not have any ownership interests are as follows:

NAME OF DIRECTOR	EBRO FOODS GROUP COMPANY	POSITION
Antonio Hernández Callejas	Panzani, S.A.S.	Director
Antonio Hernández Callejas	New World Pasta Company	Director
Antonio Hernández Callejas	Riviana Foods, Inc.	Director
Antonio Hernández Callejas	Biosearch, S.A.	Director
Antonio Hernández Callejas	Ebro America, Inc.	Chairman
Antonio Hernández Callejas	N&C Boost, N.V.	Director
Antonio Hernández Callejas	Boost Nutrition, C.V.	Director
Antonio Hernández Callejas	Danrice, A/S	Director
Antonio Hernández Callejas	Joseph Heap&Sons Limited	Director
Antonio Hernández Callejas	S&Herba Foods Limited	Director
Antonio Hernández Callejas	Anglo Australian Rice Limited	Director
Antonio Hernández Callejas	Vogan & Co Limited	Director
Antonio Hernández Callejas	A W Mellish Limited	Director acting severally
Antonio Hernández Callejas	Joseph Heap Property Limited	Director acting severally
Antonio Hernández Callejas	Heap Comet Limited	Director acting severally
Antonio Hernández Callejas	Herba Germany GmbH	Director acting severally
Antonio Hernández Callejas	Arrozeiras Mudiarroz, S.A.	Chairman
Antonio Hernández Callejas	Bosto Panzani Benelux N.V.	Director

Except for the aforementioned cases, it is hereby stated that none of the directors or parties related to the directors pursuant to Article 231 of the Spanish Limited Liability Companies Law have 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 2010 and 2009 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 under non-arm's length conditions.

**Remuneration of executives** - In 2010 Ebro Foods, S.A. had ten executives (2009: 10), the total aggregate remuneration of which in 2010 was EUR 2,103 thousand (2009: EUR 2,741 thousand), of which EUR 2,103 thousand (2009: EUR 2,615 thousand) related to wages and salaries and EUR 0 (2009: EUR 126 thousand) to termination benefits.

In relation to the executives (excluding executive directors) of the Ebro Foods Group, included in the Deferred Annual Remuneration System associated with the Group's 2010-2012 Strategic Plan described in Note 27.6, the total amount for which a provision was recognised in 2010 was EUR 680 thousand. This amount will be paid in 2012.

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 provided for in the Spanish Workers' Statute due to the length of service.

Lastly, the Parent took out and has in force a third-party liability insurance policy covering the directors and executives of Ebro Foods, S.A. with coverage for all its subsidiaries and an indemnity limit per annum of EUR 45 million, at an annual cost of EUR 62,000 and in force until 30 April 2011. The aforementioned policy is currently in the process of being renewed.

## 28. Objectives and policies relating to risk management and financial instruments

The Ebro Foods Group carries out numerous actions to enable it to identify, assess, manage and minimise the risks to which its main business activities are exposed.

The main objective of the risk management policy consists of guaranteeing the value of the assets and the continuing growth of the Company through an optimum financial structure tailored to the legislation in force in the countries in which the Group operates. In addition, the Group's capital management policy seeks to ensure the maintenance of stable credit ratings and the maximisation of shareholder value.

The measures taken in this respect cover the key parameters of the management of the business such as the income statement, borrowings, investment and the strategic policy of the Company, in order to make it possible to adopt the decisions that are key to the achievement of the objectives set out above. The accompanying consolidated directors' report includes information on the key risks of the business.

### Management of capital

Capital management aims to guarantee the sustainability of the business and to maximise value for shareholders and, accordingly, takes into consideration the following:

- Cost of capital calculated in accordance with industry standards in order to approximate a combination of debt and equity that optimises the aforementioned cost.
- A leverage ratio that makes it possible to obtain and maintain the desired credit rating and to ensure the financing of the Group's long- and short-term projects.

The right combination of structure and costs of resources will make it possible to suitably remunerate shareholders and ensure the continuity and growth of the Ebro Foods Group's business model.

The Group is also subject to capital requirements included in certain long-term loan agreements, which have been met (see Note 22).

The management strategy of the Ebro Foods Group has changed in the past few years with its activity concentrated in businesses that are considered key and an orderly reduction in financial leverage.

## NET DEBT

(Thousand of euro)	2008	2009	2009-2008	2010	2010-2009
Equity	1,203,131	1,280,322	6.4%	1,592,743	24.4%
Net debt	1,055,853	556,800	(47.3%)	17,600	(96.8%)
Average net debt	1,208,078	716,725	(40.7%)	378,336	(47.2%)
Leverage	87.8%	43.5%	(50.4%)	1.1%	(97.5%)
Leverage ratio AD (1)	100.4%	56.0%	(44.2%)	23.8%	(57.6%)
EBITDA	224,074	243,824	8.8%	271,549	11.4%
Coverage	4.71	2.28		0.06	

(1) Ratio of average net interest-bearing financial debt to equity (excluding non-controlling interests).

The reduction in borrowings in 2010 is primarily a result of the high level of cash generated from operations and the sale of the dairy product business. This cash-generating capacity made it possible to approve a total dividend (ordinary and extraordinary) of EUR 154 million.

## Financial risk management and financial instruments

The Group's principal financial instruments include bank loans, bank overdraft facilities, equity instruments, cash and short-term deposits. Also, the Group has other financial assets and liabilities such as trade receivables and payables.

These financial instruments give rise to market risks due to changes in interest rates, exchange rates or the fair value of certain financial instruments and liquidity and credit risk.

In order to manage the foreign currency and interest rate risk arising from the Group's operations and, on occasions, the risk relating to possible changes in the price of certain raw materials (gas), the Group arranges derivatives, basically in the form of interest rate and foreign currency forwards and options.

The accounting policies used to measure these financial instruments are described in Note 3 to these consolidated financial statements.

The Board of Directors reviews and establishes policies for managing each of these risks, as summarised below.

### Cash flow interest rate risk

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

The Group manages its borrowing costs by using, where necessary, a combination of floating and fixed interest rates. The Group minimises its exposure to this risk and to do so it closely monitors the changes in interest rates with the support of external experts. When it is deemed necessary, the Group arranges derivative financial instruments on interest rates. These derivative instruments are designed to hedge underlying payment obligations.

A sensitivity analysis performed on the main financial instruments in the Group's balance sheet exposed to interest rate change risk with an impact on Group results showed variations on the income statement of EUR 2.9 million with interest rate changes equal to 50 basis points (2009: EUR 3.4 million). The interest rate risk exposure has reduced significantly because the Group's borrowings have decreased in recent years.

The main assumptions used in the sensitivity analysis model were as follows:

- ▶ Only financial instruments sensitive to material changes as a result of interest rate increases and decreases were included.
- ▶ All hedging transactions were excluded, since they are perfect hedges and are not subject to changes.
- ▶ The interest rate was considered as the sole variable, with all other variables in the model remaining constant.

#### CHANGES IN INTEREST RATE

	2010				2009			
	(0.50%)	(0.25%)	0.25%	0.50%	(0.50%)	(0.25%)	0.25%	0.50%
Income/(Expense)								
Profit (Loss) before tax	2,947	1,473	(1,473)	(2,947)	3,362	1,680	(1,680)	(3,362)

#### Foreign currency risk

As a result of the significant investments in the US, the Group's balance sheet could be significantly affected by fluctuations in the USD/EUR exchange rate.

The ultimate objective of the risk management policy is to offset (at least partially) the potential fall in the value of assets denominated in currencies other than the euro by savings due to decreases in value of the liabilities in these currencies.

The Group endeavours to mitigate the effect of its structural foreign currency risk by obtaining loans in US dollars and, accordingly, a considerable portion of its investments in the US are hedged in this way.

At 31 December 2010, "Other Receivables" included two loans totalling USD 411 million (31 December 2009: EUR 586 million) (see Note 22) which were designated as hedges of net investments in the US subsidiaries and are used to hedge the Group's exposure to foreign currency risk on these investments. The gains or losses on the translation to euros of these loans are recognised in equity to offset any gains or losses on the translation of the net investments in the subsidiaries.

In addition, the Group is exposed to foreign currency risk on its transactions. This risk arises from purchases and sales made by the operating units in currencies other than the functional currency. In relation to important transactions, the Group's operating units use forward foreign currency contracts to eliminate or reduce foreign currency risk. Forward foreign currency contracts must be expressed in the same currency as the item that they are hedging and they will not be arranged until a firm agreement has taken place, the objective of which is to achieve the best correlation possible with the hedged underlying.

As indicated in the foregoing paragraph, certain rice business companies (Herba, S&B Herba and Euryza) and pasta business companies (Panzani) have forward foreign currency contracts (foreign currency swaps) to mitigate the exposure of their commercial transactions. These transactions are carried out in order to minimise foreign currency risk although they do not qualify for hedge accounting. The outstanding contracts at 2010 year-end were as follows:

CURRENCY	Notional amount (thousands)	
	2010	2009
USD	26,892	28,436
EUR	16,304	11,839
GBP	1,953	2,702

The sensitivity analysis performed on the financial instruments in the Group balance sheet exposed to changes in exchange rates was based on the following assumptions:

- Only financial instruments sensitive to material changes as a result of changes in exchange rates were included.
- All borrowings constituting an effective hedge of the object of the investment are excluded.
- The exchange rate was considered as the sole variable, with all other variables in the model remaining constant.

### Impact on Group results

#### CHANGES IN THE EURO EXCHANGE RATE

	2010				2009			
<b>Arising from derivatives:</b>								
Income/(Expense)	(10.00%)	(5.00%)	5.00%	10.00%	(10.00%)	(5.00%)	5.00%	10.00%
Profit (Loss) before tax	(186)	(122)	122	186	99	56	(56)	(9)
<b>Arising from other financial instruments:</b>								
Income/(Expense)	(10.00%)	(5.00%)	5.00%	10.00%	(10.00%)	(5.00%)	5.00%	10.00%
Profit (Loss) before tax	977	512	(512)	(977)	234	120	(120)	(234)

#### CHANGES IN THE POUND STERLING EXCHANGE RATE

	2010				2009			
<b>Arising from derivatives:</b>								
Income/(Expense)	(10.00%)	(5.00%)	5.00%	10.00%	(10.00%)	(5.00%)	5.00%	10.00%
Profit (Loss) before tax	(727)	(354)	354	727	909	444	(444)	(909)
<b>Arising from other financial instruments:</b>								
Income/(Expense)	(10.00%)	(5.00%)	5.00%	10.00%	(10.00%)	(5.00%)	5.00%	10.00%
Profit (Loss) before tax	(692)	(253)	253	482	(351)	(180)	180	351

#### CHANGES IN THE US DOLLAR EXCHANGE RATE

	2010				2009			
<b>Arising from derivatives:</b>								
Income/(Expense)	(10.00%)	(5.00%)	5.00%	10.00%	(10.00%)	(5.00%)	5.00%	10.00%
Profit (Loss) before tax	678	353	(353)	(678)	(609)	(291)	291	609
<b>Arising from other financial instruments:</b>								
Income/(Expense)	(10.00%)	(5.00%)	5.00%	10.00%	(10.00%)	(5.00%)	5.00%	10.00%
Profit (Loss) before tax	(259)	(495)	259	495	(63)	(120)	63	120

### Impact on borrowings

#### CHANGES IN THE US DOLLAR EXCHANGE RATE

	2010				2009			
+ Borrowing / (- Borrowing)	(10.00%)	(5.00%)	5.00%	10.00%	(10.00%)	(5.00%)	5.00%	10.00%
ECB borrowings	(37,434)	(18,717)	18,717	37,434	(43,654)	(21,827)	21,827	43,654

#### Price risk of other financial assets and liabilities

The Group is exposed to changes in the price of certain financial assets and liabilities. The most significant effect relates to the shares of SOS Corporación Alimentaria, S.A. which are recognised as available-for-sale financial assets in the consolidated balance sheet for the year ended 31 December 2010 (see Note 12). Changes in their fair value are recognised in the Company's equity.

#### Liquidity risk

The Group's objective is to match the maturities of its payables to its ability to generate cash flows to settle these obligations. In order to achieve this, it maintains a balance between continuity of the financing and flexibility through the use of renewable credit facilities, bank loans that may include grace periods to adapt them to the return on the related assets, and forward purchase contracts.

A detail of the borrowings at 31 December 2010 and the related maturity is provided in Note 22.

#### **Credit risk (counterparty)**

This risk arises if a counterparty breaches its contractual obligations, resulting in a financial loss for the Group.

The risk is mitigated by appropriately selecting the transactions and the financial entities acting as counterparty to these transactions based on their credit rating and the obtainment of sufficient security in order to mitigate this risk.

With respect to commercial transactions, the Group's policy has always been conservative and there are risk committees that regularly assess the situation, open positions and the automatic alerts implemented in the systems, which historically have led to low bad debt rates. Also, the commercial and collection management departments work together on a coordinated basis and take into account the credit ratings awarded by the credit insurance companies with which the Group works, which provide the last line of guarantee. The Group's considerable geographical diversification reduces its concentration of credit risk arising from these types of transactions.

## **29. Information on the environment**

Ebro Foods has always been committed to doing its utmost to strike a balance between carrying on its business and protecting the environment. Being fully aware that sustainable growth is not possible without such a commitment, the Company has a comprehensive policy of respect for the environment to prevent, control and minimise environmental impact.

This environmental policy is based on the concerted action of everyone in the Company's organisation and is based on the following fundamental features:

- ▶ The definition, development and implementation of an Environmental Management System which meets the requirements of the UNE-EN-ISO 14001:2004 standard, or, where applicable, carrying out environmental management practices that improve its production practices.
- ▶ Modernisation of material resources that enable the Company to prevent and minimise consumption, emissions, and harmful environmental impacts.
- ▶ Training and raising the awareness of all Company employees about the environmental aspects of their work and the organisation.
- ▶ Setting environmental targets that foster continuous improvement in this area, provided with the appropriate financial and operational resources.
- ▶ Encourage the Company's suppliers to adopt principles similar to those discussed above, cooperating with them to put them into practice.
- ▶ Ensure the achievement of the objectives set, compliance with legal requirements and the aforementioned principles, carrying out periodic in-house and external audits of the Environmental Management System.

Independently from the above, all the companies have implemented in-house environmental training programmes, involving their employees in the measures that can have the most significant impact on savings in the consumption of water, energy and other resources.

Also, in order to ensure the fulfilment of the packaging and packaging waste reduction, recycling and recovery objectives defined in Law 11/1997, of 24 April, the two companies in the Dairy Product Division sold in 2010 (Puleva Food and Lactimilk) and Herba, the Rice Division's representative in Spain, are members of Ecoembalajes España, S.A. (Ecoembes), a not-for-profit public limited liability company the mission of which is to design and develop systems aimed at the selective collection and recovery of used packaging and packaging waste. Ecoembes uses what is known as the Green Dot concept (a symbol that appears on the packaging) to evidence that the packer of the product has paid an amount of money for each package placed on the market.

In addition, both the European rice companies and Ebro Food's head office have entered into an agreement with companies similar to Ecoembes for the destruction of paper and other media. This agreement enables them to both comply with the Spanish Data Protection Law and ensure the sustainable management of this documentation through the commitment that these companies have to recycle the related items.

Lastly, various Group companies have taken out third-party liability insurance to cover sudden unintentional pollution, since they consider that such insurance covers all possible risks in this connection. To date, there have been no significant claims in this connection. There have, however, been favourable rulings in respect of the results of audits, inspections, the absence of allegations in the processing of Integrated Environmental Authorisations, etc.

### 30. Fees paid to auditors

"Fees Paid to Auditors" in the consolidated income statement includes the fees paid to the auditors of the consolidated financial statements.

In 2010, the fees for financial audit 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 2010 amounted to EUR 1,444 thousand (2009: EUR 1,507 thousand) and for other attest services amounted to EUR 116 thousand (2009: EUR 12 thousand).
- ▶ The fees for tax advisory and/or other services amounted to EUR 233 thousand (2009: EUR 28 thousand).

### 31. Events after the reporting period

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

- On 13 January 2011, the Board of Directors of Ebro Foods, S.A. resolved to sell to Grupo Lactalis Iberia, S.A. 17,252,157 shares representing 29.9% of the share capital of Biosearch, S.A. for a total price of EUR 8,281 thousand. Since the shares are sold at their underlying carrying amount (EUR 0.48 per share), this transaction will not give rise to any gains or losses in the 2011 financial statements of Ebro Foods, S.A. Following this sale, Ebro Foods, S.A. owns 12,117,806 shares that represent 21.002% of the share capital of Biosearch, S.A. but no longer participates in the Company's governing bodies or management (from 13 January 2011 it will no longer be a Group company investment and will become an investment in a financial asset).

### 32. Explanation added for translation to english

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



## 1. Analysis of the year. organic growth

### Backdrop

After two years of general crisis in the developed economies that bottomed out in the first half of 2009, 2010 saw a return to growth that enabled the phasing out of the tax stimulus measures implemented in the period. The return to growth was fostered mainly by developing countries, while the economies of the United States and the euro zone are still showing signs of weaknesses that are making recovery slower than on previous occasions. Nevertheless, the consensus is that the recovery is continuing, albeit at different rates, and new slowdowns are not expected, unless the situation in the oil-producing countries leads to a crisis in the availability of this product.

In developed economies, a hesitant recovery, the penalisation of highly-levered markets, such as the housing market, and the high unemployment rate has continued to push households towards saving. This situation does not allow for growth in spending, which has been the driving force behind recovery in previous crises. Despite this, food price indices in both the United States and the euro zone ended the year with positive figures following a 2009 marked by slowdowns. This situation points towards the return to spending habits affected by the intensity of the crisis, such as the number and cost of meals eaten outside the home and the perception of the quality/price ratio of products and distributors.

The wheat and rice market, which forms the basis of Ebro Foods' activity, began the year by maintaining the trend towards price stability seen in 2009, with good expectations for harvests and stock volumes. However, from June onwards the drought in the Black Sea producing area led to restricted wheat exports from these countries, which had an immediate effect on prices. From this moment on, concern grew in the grain markets with generalised price rises, particularly notable in the case of wheat which, together with episodes of floods in South East Asia, an American long-grain rice harvest of poorer quality than expected and positions taken in the futures markets, kept prices high until the end of the year.

### Group earnings

Despite the weak recovery of the economy and consumer spending, as indicated above, the Ebro Foods Group maintained double-digit growth in the main business ratios. Net profit increased by 120.2% to EUR 388,797 thousand. If only continuing operations are considered performance was excellent, up 38.7% to EUR 129,417 thousand.

EBITDA increased by 11.4% with respect to 2009, with an AAGR of 10.1% during the period 2008-2010. The improvements were seen across all the margins in the income statement as a result of the endeavours made in cost and supply management, constant investment in production (CAPEX of EUR 69 million), in innovation and in adapting to consumer needs.

The earnings for the period, and particularly those from discontinued operations, reflect the sale of the dairy product business. On 30 March 2010, Ebro Foods, S.A., which owned all the shares of its dairy product business (shares of Puleva Food, S.L., shares of Lactimilk, S.A. and the related trademarks) and Grupo Lactalis Iberia, S.A. (GLI), entered into a purchase and sale agreement for the companies forming the dairy product business. The sale was completed on 2 September 2010 following approval by the competition authorities.

The terms and conditions of the transaction established that the Lactalis Group would buy the dairy product business for an amount clear of debt of EUR 630 million, which at the date of execution, amounted to a total price of EUR 645 million, collected in full in 2010.

From completion of the transaction to the effective date of the sale, in accordance with International Financial Reporting Standards, the results of the dairy product business and its net profit (and other discontinued operations such as the sugar business sold in 2009) were presented as discontinued operations in the consolidated income statement for the period and for the periods prior to its inclusion in that category. The information disclosed in this consolidated directors' report reflects the aforementioned circumstance, except where expressly indicated otherwise.

The Group's most significant economic aggregates are as follows:

#### CONSOLIDATED FIGURES

(Thousand of euro)	2008	2009	2009-2008	2010	2010-2009	TAMI 2010-2008
Revenue	1,874,475	1,765,397	(5.8%)	1,702,023	(3.6%)	(4.7%)
EBITDA	224,074	243,824	8.8%	271,549	11.4%	10.1%
% of revenue	12.0%	13.8%		16.0%		
EBIT	169,216	190,666	12.7%	212,920	11.7%	12.2%
% of revenue	9.0%	10.8%		12.5%		
Profit before tax	72,354	124,436	72.0%	193,362	55.4%	63.5%
% of revenue	3.9%	7.0%		11.4%		
Taxes	(22,533)	(31,156)	38.3%	(63,945)	105.2%	68.5%
% of revenue	(1.2%)	(1.8%)		(3.8%)		
Consolidated profit (continuing operations)	49,821	93,280	87.2%	129,417	38.7%	61.2%
% of revenue	2.7%	5.3%		7.6%		
Net profit from discontinued operations	82,049	79,543	(3.1%)	259,525	226.3%	77.8%
% of revenue	4.4%	4.5%		15.2%		
Net profit	130,637	176,539	35.1%	388,797	120.2%	72.5%
% of revenue	7.0%	10.0%		22.8%		
Average working capital (*)	587,423	323,230	(45.0%)	237,222	(26.6%)	
Capital employed (*)	1,669,991	1,176,282	(29.6%)	995,309	(15.4%)	
ROCE (1) (*)	13.3	20.4		21.3		
Capex (*)	96,497	87,414	(9.4%)	69,617	(20.4%)	
Average headcount	4,761	4,635	(2.6%)	4,984	7.5%	
	<b>12-31-08</b>	<b>12-31-09</b>	<b>2009-2008</b>	<b>12-31-09</b>	<b>2009-2008</b>	
Equity	1,203,131	1,280,322	6.4%	1,592,743	24.4%	
Net Debt (*)	1,055,853	556,800	(47.3%)	17,600	(96.8%)	
Average Net Debit (*)	1,208,078	716,725	(40.7%)	378,336	(47.2%)	
Gearing ratio (2)	1.00	0.56		0.24		
Total Assets	3,422,912	2,684,465		2,885,030		

(\*) In order to keep these parameters consistent, they were calculated including both the results of the discontinued businesses and their assets and liabilities.

(1) ROCE = Profit from operations AAG las 12 months / (Intangibles assets - Property, plant and equipment - Working capital).

(2) Ratio of average net Interest-bearing debt with cost to equity (excluding non-controlling interest).

Revenue decreased slightly as the stability of raw material prices continued to be passed on to customers in the first half of the year. From then on, the upward trend in these markets led to the announcement of agreed price rises at year-end but they did not have a significant effect on annual sales. This trend in prices offset the organic growth that led to increased sales in most of the markets where Ebro Foods is present, with increases of between 20% and 25% in rice and ready-to-eat pasta, increases of 2.7% and 3.6% in sales of pasta and sauces in France and growth of 1% and 3.8% in the volume of pasta and rice in the United States.

Profitability grew spectacularly. The EBITDA/Sales ratio was 16%; higher than in previous years, with ROCE at 21.2%. The particularly notable performance of the profitability of the pasta business and of the Group's working capital facilitated this trend.

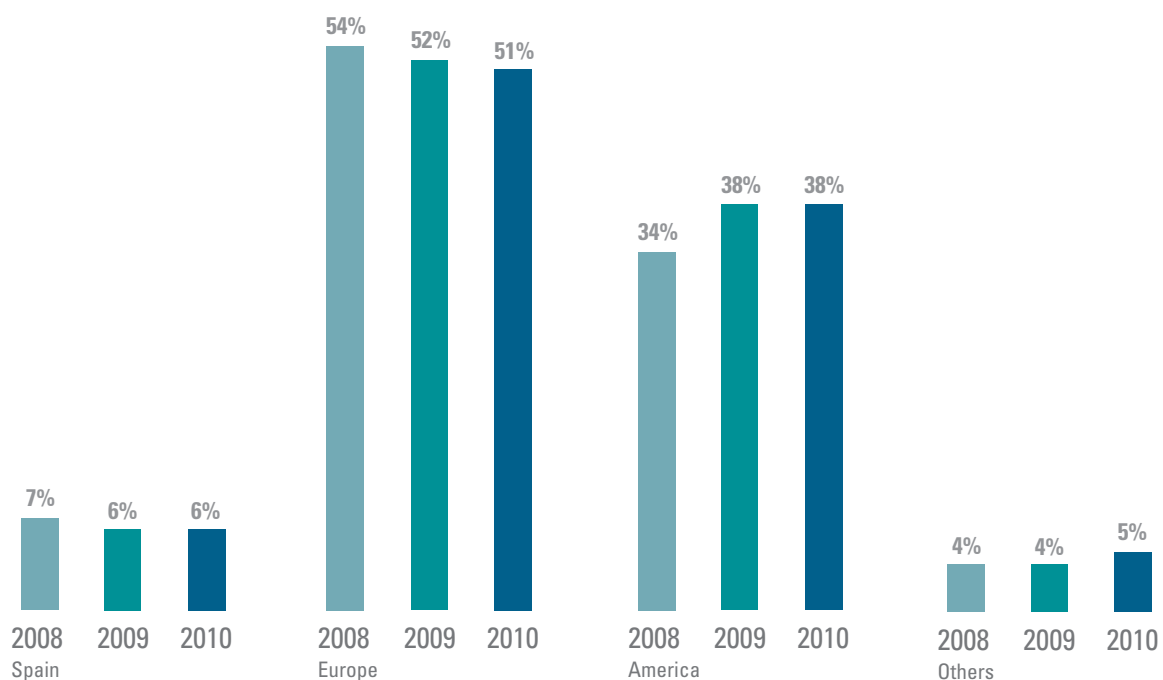
Profit from continuing operations improved as a result of the increase in profitability, of the funds generated by operations and of lower borrowing costs, which benefitted from lower interest rates, decreased indebtedness due to the sale of the dairy business and a fall in working capital.

### **The Ebro Foods strategy**

The Group's strategy involves leadership in the business segments in which it operates. With the sale of the dairy product business the Ebro Foods Group put an end to its concentration on core businesses. The objective now is growth in new markets and pasta- or rice-based Meal Solution products. In this context, the preliminary agreements for the acquisition of the rice division of the SOS Group were announced for a total of EUR 197 million and for the acquisition of the Australian Ricegrowers Limited-SunRice (Sunrise) Group, subject to approval by the shareholders, for AUD 600 million.

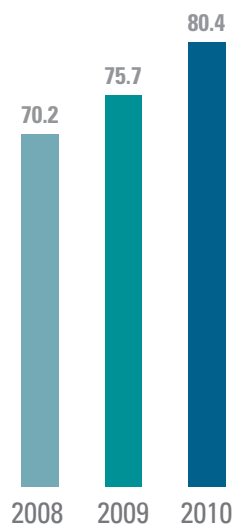
In addition, the Group bases its strategy on the following principles:

- ▶ **Low risk exposure.** The Group's structure provides it with a geographically balanced source of income among developed countries that the management teams know well and where it is possible to share resources and develop synergies. The growth strategy places particular emphasis on these strategies. Also, a low-levered financial position allows growth without exposure to financial storms. The detail of sales, by geographical area, is as follows:



#### ADVERTISING EXPENDITURE

>>> Million of euro



In recent years the Company has obtained constant growth in recurrent profits despite the volatility in basic raw materials markets. Diversification in the sources of supply has been essential to this positive performance, leading the Group to establish itself in producing areas and continually work on adapting grain varieties and origins to our customers' needs.

- Differentiation and innovation.** Ebro Puleva is firmly committed to investment in products along two lines; major innovation and development, and firm backing of leading brands in its business areas. Consumer behaviour in the year has justified this strategy. In 2010 there were launches, or launches were being prepared, of frying pan based rice, a new range of frozen rice, a wide range of pasta-based products to eat hot or cold, pasta with vegetables and quick-cook pasta, new pasta for gratinating and new Halal dishes. Advertising expenditure is in constant growth to support both the new products and the identity of the existing ones. Advertising expenditure as a percentage of sales was 4.73% and exceeds 6.6% if industrial sales are eliminated. The following table show the growth in expenditure in recent years.

► **Growth and consolidation of synergies.** Ebro Puleva is a Group specialising in foodstuffs with a major presence in North America and Europe. Diversification is carried out through selective growth in the areas that enable synergies to be amply integrated. In 2010 the Group came one step closer to integrating all the businesses in the US under a single platform. The process, which to date had focussed on the main value levers such as information systems and the storage and logistics platform, will be completed in 2011.

Internal growth is based on innovation and differentiation. In order for this to happen the Group has implemented an ambitious investment plan which first resulted in the construction of a new plant in the United States (in operation) and is now focussing on the partial renewal of the dry pasta lines and on increasing the capacity for pasta-based dishes.

The comparable CAPEX (eliminating the investments of the discontinued businesses) in the last three years is as follows:

Year	Amount (Thousand of euro)
2008	49,395
2009	78,658
2010	64,691

The impact of the new rice plant in Memphis can be seen in the figures for 2009.

### Financial position

The debt position at the end of the period was especially satisfactory.

#### NET DEBT

(Thousand of euro)	2008	2009	2009-2008	2010	2010-2009
Equity	1,203,131	1,280,322	6.4%	1,592,743	24.4%
Net Debt	1,055,853	556,800	(47.3%)	17,600	(96.8%)
Average net debt	1,208,078	716,725	(40.7%)	378,336	(47.2%)
Gearing ratio	87.8%	43.5%	(50.4%)	1.1%	(97.5%)
Gearing ratio AD (1)	100.4%	56.0%	(44.2%)	23.8%	(57.6%)
EBITDA	224,074	243,824	8.8%	271,549	11.4%
Coverage	4.71	2.28		0.06	

(1) Ratio of average net-bearing financial debt to equity (excluding non-controlling interests)

The Ebro Foods Group's strategy has changed in recent years, resulting in it concentrating its activity in businesses considered to be key and reducing financial leverage in an orderly manner.

Debt reduction in 2010 resulted basically from a high generation of cash from operations and the sale of the dairy product business. This generation capacity enabled the approval of a total dividend (extraordinary plus ordinary dividend) of EUR 154 million.

A consequence of the current debt position is the vote of confidence given by the market resulting in a share price increase of 9%, which is above that of the market benchmark (Ibex 35).

### Main businesses

The Ebro Foods Group is organised around the following business areas:

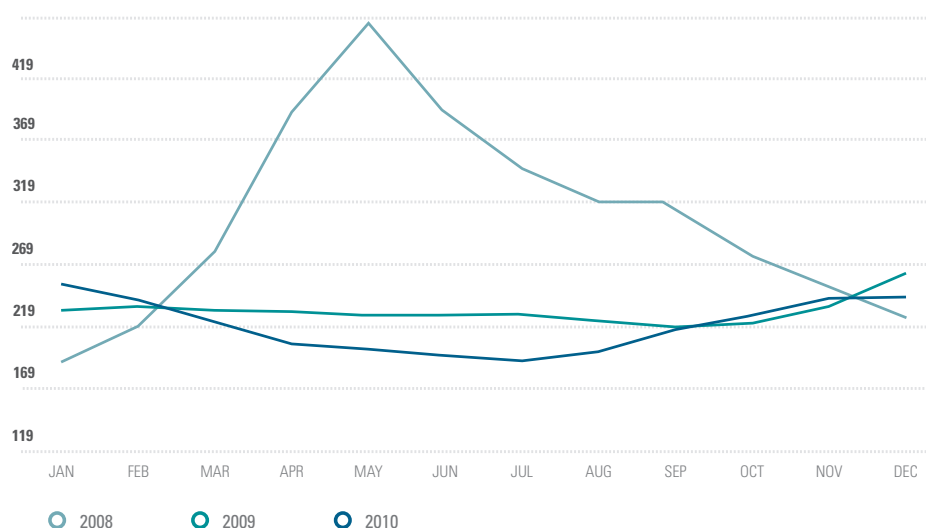
- Rice Business: which includes the industrial and branding activities in relation to rice and other products. The Group operates throughout Europe, the Mediterranean Region, North America and Thailand through Herba and Riviana (USA).
- Pasta Business: which includes the production and marketing of dry and fresh pasta, sauces and semolina carried on by the Panzani, New World Pasta and Birkel Groups.
- Other Businesses: which include the research and development activities carried on by Biosearch in the nutraceutical area, the management of real estate assets and other activities related to foodstuffs and the management of the various businesses.

## Rice

(Thousand of euro)	2008	2009	2009-2008	2010	2010-2009	TAMI 2010-2008
Revenue	890,969	836,147	(6.2%)	811,558	(2.9%)	(4.6%)
EBITDA	126,560	118,561	(6.3%)	123,263	4.0%	(1.3%)
% of revenue	14.2%	14.2%		15.2%		
EBIT	105,724	97,575	(7.7%)	99,019	1.5%	(3.2%)
% of revenue	11.9%	11.7%		12.2%		
Average working capital	263,281	185,446	(29.6%)	181,782	(2.0%)	
Capital	556,299	495,768	(10.9%)	506,347	2.1%	
ROCE	19.0	19.7		19.6		
Capex	20,044	55,138	175.1%	37,855	(31.3%)	

- Rice prices showed a downward trend until halfway through the year, with good harvests forecast, maintaining global stocks at high levels. From the summer onwards the trend changed as a result of the uncertainty arising from the floods in Pakistan and Thailand, from a slightly lower quality US harvest than foreseen and, lastly, due to contagious price instability in other grains.

### RICE IPO INDEX



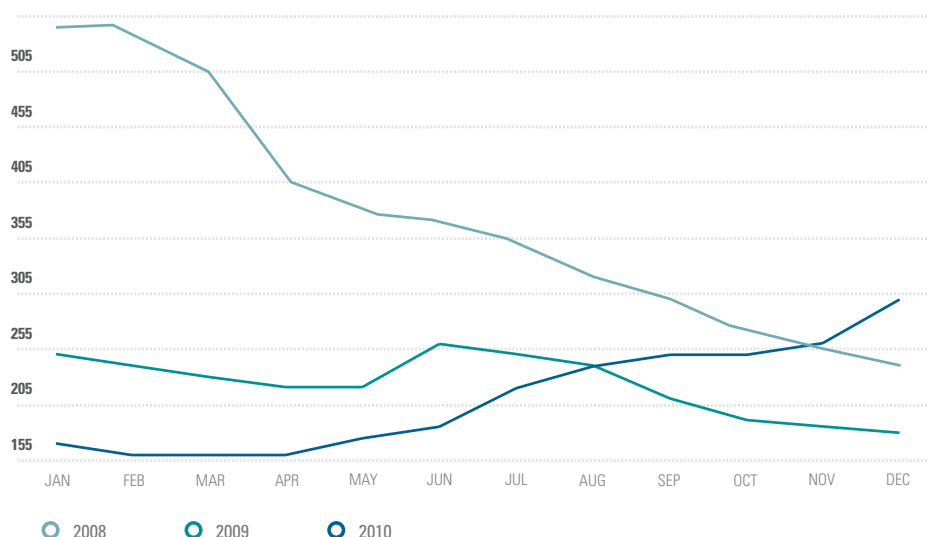
- Sales fell as a result of the changes in market prices. Volumes performed well generally although differences linked to the recovery in each country were observed.
- Pre-cooked rice continued to grow, up 11.7% in the United States, 14% in Canada, 9.2% in Germany and 11.4% in Spain (Nielsen Scantrack) and is now a key market category. The performance of the Group's brands was excellent: Minute grew well above the United States market (28.6% in volume) and Reis Fit injected new energy into the German market.
- Earnings were up slightly on 2009 (EBITADA increased 4% to EUR 123 million) despite the entry into operation of the new Memphis plant and the need to operate the old plant alongside it cut into this figure by EUR 5 million. Earnings fell compared with 2008 due to the absence of trading transactions in the Herba business.
- The endeavours made to manage working capital led to a ROCE of 19.6%, in line with 2009 which was a record for the area.
- The main investments made in the area relate to the new Memphis factory which operated alongside the old plant in Houston in 2009. Final investment amounted to USD 103.6 million. In 2011 a pre-cooked rice plant will be completed, representing an additional investment of USD 7 million.

## Pasta

(Thousand of euro)	2008	2009	2009-2008	2010	2010-2009	TAMI 2010-2008
Revenue	993,696	928,077	(6.6%)	916,101	(1.3%)	(4.0%)
EBITDA	105,993	137,057	29.3%	160,484	17.1%	23.0%
% of revenue	10.7%	14.8%		17.5%		
EBIT	75,581	108,831	44.0%	133,741	22.9%	33.0%
% of revenue	7.6%	11.7%		14.6%		
Average working	121,795	91,292	(25.0%)	60,427	(33.8%)	
Capital	511,570	469,915	(8.1%)	442,061	(5.9%)	
ROCE	14.8	23.2		30.3		
Capex	20,747	18,359	(11.5%)	32,652	77.9%	

- Following the first half of 2010 without significant changes and a good 2009/10 campaign, from June and the harvest, the grain markets became unstable which affected the price of durum wheat which, being a narrow market, is very susceptible to changes in the prices of other grains.

### PRICE OF DURUM WHEAT EUR / TON



- Sales reflect the fall in at-source prices and the passing-on thereof to the customer and the abandonment of wholesale flour sales made by Panzani in prior years. Only in the last third of the year, in view of the at-source raw material prices situation, a rise in prices was agreed upon which has not yet been reflected in the sales for the whole year. In contrast, volumes increased in line with the trend of recovery in the main economies where the Group carries on its activity.
- The improvements were particularly noteworthy at Panzani due to a very ambitious innovation project that has resulted in record figures for the market shares of its products, while in the United States positions were maintained and an organic growth plan was designed to be launched in 2011, which will introduce numerous new features and build on Panzani's successful experience.
- The French dry pasta market increased 1.4%, while Panzani increased its share by 140 basis points to 30.2%. The fresh pasta market grew 1.9% while Panzani increased its share by 230 basis points to 33%.
- The consumption of pasta in the US grew 0.1% in 2010. NWP's market share grew 10 basis points to 23.9%.
- Advertising expenditure was EUR 55.2 million, more than 6% of sales, supporting a large number of launches that required major initial promotion in the media.

- ▮ Ebitda increased by 17.1% to EUR 160 million, exceeding the 2009 figure which was a record in itself. In addition to the good result, management of working capital increased ROCE to 30.3%.
- ▮ CAPEX increased significantly with respect to previous years following implementation of the three-year investment plan for the area, which will bring considerable renovation of the dry pasta facilities and provide the necessary capacity for the ready-to-eat dishes project.

## 2. Outlook for the group

The economic forecasts for 2011 point towards a slow but steady recovery, driven by developing countries but overshadowed in recent weeks by the instability in Arab countries and the effect on fossil fuel prices.

The raw material markets are faced with the uncertainties of the geopolitical situation. With no great changes in worldwide demand and harvests underway that will ensure world stocks of rice and cereals, the main aggregates indicate that prices will stabilise further. However, the correlation of these products with the price of oil and the possibility of imbalances in demand arising from instability in some importing countries means that this uncertainty will not disappear completely.

Ebro Foods' excellent financial position, its capacity to optimise sources of supply and the strength of its brands mean the Company is barely cyclical. The Company entered into agreements with its main customers to modify selling prices which enable it to cope with the raw material price rises in the last third of 2010 and ensure the correct profitability of its products.

The main challenge for the immediate future is the successful conclusion of the acquisition processes started in 2010 and their subsequent integration and optimisation. In this regard, the Company has broad positive experience over recent years.

### Rice business

In 2011 the Memphis plant will come into full operation and the old Houston plant will cease operations, thereby avoiding the duplication of effort, and increased productivity is expected to bring improved results.

Prices were increased, in line with the flexibility of the demand for the various products. An intense sales drive will be maintained to avoid any possible trade down effect, particularly in countries in which the weight of the hard discount and the pressure from private brands is greater.

Most of the acquisitions announced relate to this business segment, which means an increased presence in a large number of geographical markets and a stronger presence in certain key countries such as the United States or Spain.



### Pasta

In the immediate future the value of the range of products launched in recent months will be extracted and a suitable level of penetration will be achieved that will make it possible to improve profitability in the medium term.

In 2011 the investment plan for this business is being maintained. The three-year plan includes investments in the United States (USD 42 million) and Europe (EUR 59 million) that allow substantial improvement in dry pasta plant productivity and the increase of capacity necessary to absorb the new range of pre-cooked products.

### 3. R&D+i activities

Ebro Foods has always been ahead of new consumer trends and an international benchmark in the research and development of products applied in the foodstuffs industry. Being fully aware that R&D+i is an essential tool for the implementation of its quality and differentiation strategy, in 2010 the Group continued its unwavering commitment to this strategy, which was demonstrated in the numerous nutritional evaluation field trials carried out and the constant innovation in products, technologies and formats.

Total investment made in 2010 amounted to EUR 9.4 million, distributed between internal resources (EUR 5.3 million) and external resources (EUR 4.1 million).

The Group has built its R&D+i engine around research centres in France, the US and Spain. These centres and the main projects carried out in the year are:

1. CEREC, located in St. Genis Laval (France), with ten employees, oriented towards developing the Pasta division's range of fresh pasta, fresh pre-cooked meals and sauces. In 2010 its activity focussed on preparing the launch of the Lunch Box and Panza Cup ready-to-eat range of products and three new varieties of fresh filled pasta.
2. CRECERPAL, located in Marseille, with fourteen technicians working in a laboratory on raw materials and analysis, focuses research focuses on the development of the category of durum wheat, dry pasta, cuscus and new food processing technologies applied to cereals. In 2010 a new flour was developed with durum wheat for bread and baked goods production and a pasta for oven baking that is the basis of the new pasta for gratinating.
3. TECH Centre, with nine researchers devoted to the research and subsequent development of new products, processes and technologies for the Rice division in the US. Its research focused on the re-creation, using a pilot plant, of a new line of pre-cooked rice to be established at the Memphis plant and the adaptation of local rice varieties for this purpose.

4. Centres associated with the Herba Group in Moncada (Valencia), and the new plant in San José de Rinconada, with 15 researchers dedicated to developing new and/or improved products and technologies and technical assistance in the areas of rice technology and its by-products for the modern hospitality industry: fast-food and catering. The most important project in development is a line of functional flours.
5. Biosearch. Located in Granada with 46 technicians, it has broad experience in the design of strategies for the identification, validation and development of natural compounds capable of modulating a target physiological function in the development of new functional ingredients. Its main lines of research focus on natural extracts, lipids and probiotics. The main project developed in 2010 was PRONAOS, aimed at developing weight-control and obesity-preventing foods.

#### 4. Treasury share transactions

In 2010 the Parent was authorised by the shareholders at the Annual General Meetings held on 28 April 2009 and 1 June 2010 to make treasury share purchases and sales and, in accordance with current legislation, the CNMV was notified accordingly. In this period no purchases were made and 666,469 treasury shares were sold. At 2010 year-end the Company did not hold any treasury shares.

#### 5. Employees

The number of employees at Ebro Foods continued to grow with the inclusion of new companies and businesses. This situation allows for the integration of diverse cultures and skills with a constant flow of information and knowledge.

#### 6. Risk and financial instrument management objectives and policies

The Ebro Foods Group carries out numerous actions to enable it to identify, assess, manage and minimise the risks to which its main business activities are exposed.

The main objective of the risk management policy consists of guaranteeing the value of the assets and the continuing growth of the Company through an optimum financial structure tailored to the legislation in force in the countries in which the Group operates. In addition, the Group's capital management policy seeks to ensure the maintenance of stable credit ratings and the maximisation of shareholder value.

The measures taken in this respect cover the key parameters of the management of the business such as the income statement, borrowings, investment and the strategic policy of the Company, in order to make it possible to adopt the decisions that are key to the achievement of the objectives set out above.

The Group has pioneered the development and promotion of R&D, environmental and food quality and internal auditing in the industry. Most notable in this regard are the environmental and food quality, commercial and counterparty risk, occupational risk prevention and research and development committees, which are responsible for preventing and mitigating risks. A complete risk definition, measurement and control process is in progress.

In addition to the general risks that affect all business activities, there are certain specific risks that arise both from the type of business activity carried on and the way in which the Group engages in this activity. The main risks and the control systems in place to mitigate them are as follows.

**Risks specific to the industry in which the activity is carried on**

**Legal / Regulatory risk.** The Group is subject to, and its operations are affected by, the legislation of numerous countries and international organisations. This legislation establishes rules ranging from production quotas to trading prices or tariff protection. To counter the related risk, the Group opted to apply a policy of geographical and product diversification.

The Group is also exposed to the risk of not being able to adequately protect its brands and intellectual property. Therefore, the Company exhaustively monitors its intellectual property and protects its use with the competent agencies, applying for the appropriate patents wherever necessary.

**Environmental and food quality risk.** The Group's environmental policy is based on the principle of compliance with the legislation in force at any given time, for which purpose the Group has defined, developed and implemented a quality, environmental and food safety management system that meets the requirements of the UNE-EN-ISO 9001:2000/8, UNE-EN-ISO 14001:2004 and ISO 22000:2005 standards under which most of the Group's production centres in Europe, the US and Canada have been certified.

The food security programmes are based on the monitoring of protocols that aim to identify and control certain Hazard Analysis and Critical Control Points (HACCP) to ensure that residual risk is minimal. The main control points are grouped into:

- ▶ **Physical points.** Controls to detect materials unrelated to the product or the presence of metals.
- ▶ **Chemical points.** Detection of chemical elements or the presence of allergens.
- ▶ **Biological points.** Presence of elements such as salmonella or other types of pathogens.

Most of the handling processes have obtained IFS (International Food Security) certificates and the US pasta plants are in the process of obtaining Global Food Safety Initiative (GFSI) certification.

Furthermore, the Group has undertaken various initiatives to reduce gas emissions and atmospheric waste, improve water quality and reduce waste discharges, improve energy efficiency and water conservation, as well as recycling programmes for physical waste such as paper, aluminium and other materials.

The Company provides its employees with adequate and ongoing training in areas relating to food safety and occupational health and safety.

Lastly, the Group has taken out several insurance policies that cover the risks relating to food safety.

**Supply risk.** The business activities carried on by Ebro Foods depend on the supply of raw materials such as rice and durum wheat. The Group is exposed to the risk of not receiving sufficient raw materials of a quality that is in line with the Group's standards at an appropriate price. To cater for this risk the Company acts along two lines:

- a. Diversifying the sources of supply, going to the main production markets if it is considered that in doing so a competitive advantage is gained.
- b. Entering into long-term supply agreements and cooperation agreements with the suppliers that the Group considers to be important for the business.

Risk due to an excess of installed capacity. The consumer goods industry is threatened by possible surplus installed capacity, which becomes more apparent at low points in the economic cycle. Once more, the best guarantee in the face of this type of risk is the strategy of ongoing innovation and differentiation of the Group's products with expenditure on advertising as a percentage of revenue of 4.7% in 2010 (4.3% in 2009) and a high level of spending on R&D+i. Also, the Group endeavours to keep up to date and renew its production structure by abandoning the assets that it does not consider to be sufficiently efficient and by investing in new plants (Memphis) or production lines (pasta).

#### **Risks specific to the Ebro Foods Group**

**Risks to production assets.** The exposure of the company's production assets to catastrophic natural events such as earthquakes and floods is limited. Also, all the Group companies insure all of their assets, capital goods and inventories by taking out the related policies.

**Country risk.** The Group carries on activities in certain countries classified as "developing countries". This situation means that certain investments are affected by the typical risks associated with these countries such as possible political changes that might affect market conditions, restrictions on the movement of capital, nationalisation of assets or devaluations of reference currencies.

Ebro Food's presence in these countries is limited and in most cases it is restricted to taking positions to optimise supply (primarily rice). In view of these possible contingencies the Group opted to diversify the risks with a presence in Europe, the Americas, Asia (Thailand and India) and Africa (Morocco and Egypt).

**Risk related with the Group's growth strategy.** The Group's strategy to be leaders in "Meal Solutions" entails the possibility of making certain acquisitions. These acquisitions can have a negative impact if the companies, brands and processes acquired do not become fully integrated. To combat this situation, Ebro Foods implements certain practices to minimise acquisition risk, most notably including:

- ▶ Performance of due diligence reviews with firms of acknowledged prestige.
- ▶ Negotiation of the end price based on risk analysis.
- ▶ Request for guarantees until the resolution of litigation or the definitive clarification of the risk.
- ▶ Deferred payment or bank guarantee in the event of possible contingencies.

Also, certain investment alternatives (organic growth) may represent a risk if the expected success is not achieved. In order to cater for these risks all the investment projects include risk analysis, which enables them to be assessed on an economic and strategic basis, prior to taking any decisions. These decisions are taken by the corresponding body, on the basis of the established limits, and the most significant projects (those amounting to more than EUR 2 million) require the approval of the Board of Directors.

**Technological delay R&D+i risk.** The Group, through its research and development subsidiaries, supports its main business lines by facilitating product and process development and innovation. The practical application is guaranteed through the constant launch of a broad line of products supported through sufficient advertising and promotion coverage.

**Labour risks.** This relates to both attracting human resources and limiting labour risks. Accordingly, the Group promotes both personal incentive and remuneration schemes for the main executives tied to results and the improvement of working conditions.

There are certain protocols to prevent potential claims, including evacuation plans, first aid, etc. There are also specific programmes designed to promote an enhanced working environment and to maximise protection levels, which most notably include training courses for Group employees and the purchase of material and tools so employees can perform their work correctly.

#### **Financial risk management and financial instruments**

The Group's principal financial instruments include bank loans, bank overdraft facilities, equity instruments, cash and short-term deposits. Also, the Group has other financial assets and liabilities such as trade receivables and payables.

These financial instruments give rise to market risks due to changes in interest rates, exchange rates or the fair value of certain financial instruments, liquidity risk and credit risk.

In order to manage the foreign currency and interest rate risk arising from the Group's operations and, on occasions, the risk relating to possible changes in the price of certain raw materials (gas), the Group arranges derivatives, basically in the form of interest rate and foreign currency forwards and options.

The accounting policies used to measure these financial instruments are described in Note 3 to the consolidated financial statements.

The Board of Directors reviews and establishes policies for managing each of these risks, as summarised below.

#### **Cash flow interest rate risk**

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

The Group manages its borrowing costs by using, where necessary, a combination of floating and fixed interest rates. The Group minimises its exposure to this risk and to do so it closely monitors the changes in interest rates with the support of external experts. When it is deemed necessary, the Group arranges derivative financial instruments on interest rates. These derivative instruments are designed to hedge underlying payment obligations.

See Note 28 to the accompanying consolidated financial statements for information on the Group's financial instruments exposed to interest rate risk.

#### **Foreign currency risk**

As a result of the major investments made in the US, the Group's balance sheet could be significantly affected by changes in the USD/EUR exchange rate.

The ultimate objective of the risk management policy is to offset (at least partially) the potential fall in the value of assets denominated in currencies other than the euro by savings due to decreases in value of the liabilities in these currencies.

The Group endeavours to mitigate the effect of its structural foreign currency risk by obtaining loans in US dollars and, accordingly, most of its investments in the US are hedged in this way.

At 31 December 2010, "Other Receivables" included two loans totalling USD 411 million (31 December 2009: EUR 586 million) (see Note 22) which were designated as hedges of net investments in the US subsidiaries and are used to hedge the Group's exposure to foreign currency risk on these investments. The gains or losses on the translation to euros of these loans are recognised in equity to offset any gains or losses on the translation of the net investments in the subsidiaries.

In addition, the Group is exposed to foreign currency risk on its transactions. This risk arises from purchases and sales made by the operating units in currencies other than the functional currency. In relation to important transactions, the Group uses forward foreign currency contracts to eliminate or minimise foreign currency risk. These contracts must be stated in the same currency as the item that is being hedged and they must not be arranged until the definitive contract is entered into, in order to obtain the best possible correlation with the hedged underlying.

As indicated in the preceding paragraph, certain Rice Business companies (Herba, S&B Herba and Euryza) and Pasta Business companies (Panzani) have forward foreign currency contracts (foreign currency swaps) to mitigate the exposure of their commercial transactions. These transactions are carried out in order to minimise foreign currency risk although they do not qualify for hedge accounting.

See Note 28 to the accompanying consolidated financial statements for information on the Group's financial instruments exposed to foreign currency risk.

#### **Price risk of other financial assets**

The Group is exposed to changes in the price of certain financial assets and liabilities. The most significant effect relates to the shares of SOS Corporación Alimentaria, S.A. which are included as available-for-sale assets in the consolidated balance sheet at 31 December 2010 (see Note 12 to the accompanying consolidated financial statements) and the changes in the fair value thereof are reflected for accounting purposes in the Company's equity.

#### **Liquidity risk**

The Group's objective is to match the maturities of its payables to its ability to generate cash flows to settle these obligations. In order to achieve this, it maintains a balance between continuity of the financing and flexibility through the use of revolving credit policies, bank loans that may include grace periods to adapt them to the return on the related assets, and forward purchase contracts.

Note 22 to the accompanying consolidated financial statements includes a breakdown of the liabilities at 31 December 2010 and their maturities.

#### **Credit risk (counterparty)**

This risk arises when a counterparty fails to meet its contractual obligations resulting in a financial loss for the Group.

The risk is mitigated through an appropriate selection policy in relation to the transactions and banks that act as a counterparty in these transactions based on their credit ratings and obtaining sufficient guarantees to mitigate this risk.

Also, with respect to commercial transactions the Group's policy has always been conservative and there are risk committees that regularly assess the situation, the open positions and the automatic alerts implemented in the systems, which historically have led to low bad debt rates. Also, the commercial and collection management departments work together on a coordinated basis and take into account the credit ratings awarded by the credit insurance companies with which the Group works, which provide the last line of guarantee.

The Group's high level of geographical diversification reduces the concentrations of credit risk at the Group arising from this type of transaction.

## 7. Information on the environment

The information on the environment is included in Note 29 to the accompanying consolidated financial statements.

## 8. Events after the reporting period

On 13 January 2011 the Board of Directors of Ebro Foods, S.A. resolved to sell to Grupo Lactalis Iberia, S.A. 17,252,157 shares representing 29.9% of the share capital of Biosearch, S.A. for a total price of EUR 8,281 thousand. Given that the shares were not sold at their underlying carrying amount (EUR 0.48 per share), this transaction will not give rise to any gains or losses in the 2011 financial statements of Ebro Foods, S.A. Following this sale, Ebro Foods, S.A. owns 12,117,806 shares that represent 21.002% of the share capital of Biosearch, S.A. but no longer participates in the Company's governing bodies or management.

No other significant events took place between the reporting date and the authorisation for issue of the consolidated directors' report.

## 9. Other disclosures

The consolidated directors' report contains the following explanations in relation to the matters required under Article 116 bis of the Spanish Securities Market Law, currently replaced following the recent approval and entry into force of the Sustainable Economy Law (data relating only to the Parent Ebro Foods, S.A. as a listed company to which the aforementioned legislation applied):

**a) Capital structure, including securities not traded on a regulated EU market, indicating, where appropriate, the various classes of shares and, for each class of shares, the rights and obligations they carry and the percentage of share capital that they represent.**

*The share capital amounts to EUR 92,319,235.20, divided into 153,865,392 fully subscribed and paid shares of EUR 0.60 par value each, represented by book entries of the same series and class.*

*The shares representing the share capital have the status of marketable securities and are governed by the provisions of the Securities Market Law.*

**b) Restrictions on the transferability of shares.**

There are no restrictions on the transferability of the shares.

**c) Significant direct or indirect ownership interests in the share capital, including those of directors.**



Significant shareholder	Number of direct voting rights	Number of indirect voting rights	Percentage of total voting power
Instituto Hispánico del Arroz, S.A.	13,588,347	Indirect holder, through Hispafoods Invest, S.L., of 10,600,210 voting rights, representing 6.889% of share capital.	15.721
Sociedad Anónima Damm	0	Indirect holder, through Corporación Económica Damm, S.A., of 14,350,000 voting rights, representing 9.326% of share capital.	9.326
Sociedad Estatal de Participaciones Industriales	0	Indirect holder, through Alimentos y Aceites, S.A., of 13,315,016 voting rights, representing 8.654% of share capital.	8.654
Lolland, S.A.	0	Indirect holder, through Casa Grande Cartagena, S.L., of 7,693,290 voting rights, representing 5.000% of share capital.	5.000
Corporación Financiera Alba, S.A.	0	Indirect holder, through Alba Participaciones, S.A., of 8,777,719 voting rights, representing 5.70% of share capital.	5.70

#### d) Restrictions on voting power.

There are no restrictions on voting power.

#### e) Side agreements.

The Company has not been notified of any side agreements.

#### f) Rules applicable to the appointment and replacement of members of the managing body and to the amendment of the Company's bylaws.

The appointment and the replacement of directors are governed by the bylaws (Articles 19 and 20) and by the Board Regulations (Articles 21, 23 and 24).

The Board of Directors shall be composed of a minimum of seven and a maximum of 14 members, the General Meeting being responsible for determining the number and for appointing and removing directors. At the date of issue of this report, the Board currently has 13 members, a vacancy having arising as a result of Jaime Carbó Fernández having vacated his position on the Board on 22 December 2010.

Directors shall be appointed for a term of four years and the post may be rejected, appointments may be revoked and directors may be re-elected. Once this term has elapsed, directors may be re-elected one or more times for terms of equal length.

The appointment of directors shall lapse when, on expiry of the term, the next General Meeting has been held or the period established by law for holding the General Meeting which has to resolve whether to approve the financial statements for the previous year has ended.

Should vacancies arise during the term for which the directors are appointed, the Board may designate from among the shareholders persons to occupy the vacancies until the next General Meeting is held.

The nominations for the appointment and re-election of directors submitted by the Board of Directors shall relate to persons of acknowledged prestige who have the experience and professional knowledge required to discharge their duties.

Nominations shall be made taking into account the existence of three types of director: (i) executive directors; (ii) non-executive directors, which may be of two types: those that belong to the Board at the request of shareholders with significant ownership interests in the Company's share capital, and those which may be deemed to be independent directors pursuant to applicable legislation or good corporate governance recommendations; and (iii) directors who do not belong to either of these categories.

The distribution of directors according to the categories defined above shall be adjusted from time to time in accordance with the functional requirements and actual shareholder structure of the Company on the basis of the relationship between the share capital controlled by significant shareholders and the percentage held by institutional investors and non-controlling shareholders.

In any case, any steps taken by the directors in relation to the composition of the Board shall be without prejudice to the sovereign powers of the General Meeting to appoint and remove directors and, as the case may be, to the shareholders' right of proportional representation.

Directors shall tender their resignation to the Board and formally resign in the following cases:

- ▶ When they are subject to any incompatibility or prohibition provided for by law, in the bylaws or in the Board's Regulations.
- ▶ When they cease to discharge the executive functions associated with their appointment as directors, when the shareholder they represent sells its entire ownership interest or when that shareholder reduces its ownership interest to a level that requires a reduction of the number of its proprietary directors and, in general, when the reasons for which they were appointed cease to exist.
- ▶ When the Board, following a report from the Nomination and Remuneration Committee, considers that they have seriously breached their obligations or that there are reasons in Company's interest that justify such resignation.

The Board shall submit the removal of the director to the General Meeting in the event that the director does not resign in any of the above situations.

Directors who stand down from the Board prior to the end of their mandate, due to resignation or any other cause, must explain their reasons for vacating their office to the Board and, without prejudice to the fact that the removal is communicated as a significant event, the Company shall give the reasons for the removal in the Annual Corporate Governance Report.

If a director chooses to resign after expressing serious reservations on matters on which the Board had adopted resolutions, the director shall explain the reasons for the resignation as described above.

No procedures or requirements for the amendment of the bylaws other than those provided for by law are established.

**g) Powers of the members of the Board of Directors and, in particular, those relating to the possibility of issuing or repurchasing shares.**

The chairman of the Board of the Directors, with executive duties, Antonio Hernández Callejas, holds the following powers:

1. To represent the Company and use the corporate signature in all manner of acts, businesses and agreements included in the company object. To enter into contracts for project work or for the supply of goods or services with the European Union, the State, the Autonomous Communities, provinces, islands or municipalities and, in general, with any public or private person, by means of merits-based or price-based tenders, direct award or any other legal method of contracting, presenting and signing the appropriate proposals, accepting awards, as the case may be, performing any such acts and executing any such public or private documents as may be required or deemed appropriate for their formalisation, performance and liquidation. These powers can be exercised severally when the amount of the act, business or contract is less than or equal to EUR 50,000 and jointly with another class A) attorney-in-fact when the amount exceeds EUR 50,000.
2. To plan, organise, manage and control the operation of the Company and all its activities at all the workplaces and facilities, reporting to the Chairman of the Board and proposing any modifications to the Company organisation deemed to be appropriate.  
These powers may be exercised severally.
3. To sell, buy, exchange, replace, assign, encumber and dispose in any manner of all types of assets, including buildings and shares, and to provide guarantees to subsidiaries or third parties. To participate in the incorporation of all manner of companies or entities and to accept and appoint positions therein.  
These powers may be executed jointly with another class A) attorney-in-fact.
4. To set the terms of, create, accept, modify, withdraw or cancel provisional or definitive payments, deposits and guarantees at any kind of public or private entity including the Government Depositary and the Bank of Spain.  
These powers may be exercised severally.
5. 5.1) To open, use, clear and cancel demand deposits, savings accounts or credit facilities at any bank, including the Bank of Spain or any other credit institutions or savings banks, signing for this purpose any such documents as may be required, and to use and withdraw amounts by cheque, money order, receipt or transfer.

5.2) To arrange, formalise and execute loan transactions, signing for this purpose any such public or private documents as may be required, reporting to the Board the use made of these powers in the following meeting.  
These powers may be executed jointly with another class A) attorney-in-fact.

6. To issue, accept, collect, pay, endorse, protest, discount, guarantee and negotiate commercial or financial bills of exchange, promissory notes and other drafts and commercial instruments. To endorse and discount receipts and negotiable instruments of any kind and to order payment from the Public Treasury, banks, depositaries and other entities where the Company may hold securities, bills, cash or any other type of asset. These powers may be exercised jointly with another class A) attorney-in-fact.
7. To claim, collect and receive amounts to be paid or received by the Company in any respect, whether in cash, in bills or in the shape of any other type of benefit, from individuals, banks and other entities, from the European Union, the State, the Autonomous Communities, provinces, islands or municipalities and, in general, from any public or private entity. To give and request receipts and payment documents and to set and finally settle balances. To determine the method for payment of amounts owed to the Company, to grant extensions and to set payment dates and amounts. To accept from debtors all manner of secured and unsecured guarantees, including mortgages, fixed and floating charges, pledges and security interests subject to the covenants, clauses and conditions deemed appropriate and to cancel such guarantees after receipt of the guaranteed amounts or receivables. These powers may be exercised severally.
8. To make all manner of payments, taking any such steps as may be required for due compliance with all the Company's obligations and to demand the relevant receipts and payment documents. These powers may be exercised severally when the amount of each act does not exceed or is equal to EUR 50,000, and jointly with another class A) attorney-in-fact when the amount exceeds EUR 50,000.
9. To represent the Company in dealings with third parties and with all manner of administrative bodies, chambers, commissions, committees, mutual entities, registers, delegations, offices and units of the European Union, the State, the Autonomous Communities, provinces, islands or municipalities and with other centres or bodies of an administrative, government or other nature, at all levels and instances, in Spain and abroad, or to appoint a person to act as the Company's representative in such dealings. To exercise the rights and to act, as the case may be, in the interest of the Company. To file requests and motions. To institute any applicable proceedings, requesting any relevant data, copies or documents and filing claims, including preliminary claims, and any administrative appeals. To withdraw from proceedings, claims and appeals at any stage thereof, to enforce or ensure the enforcement of final judgments. To respond to or issue certificates or demands, whether notarial or of any other nature. To request certificates, evidence and duly authenticated copies of interest to the Company. These powers may be exercised severally.

**10.** To appear and represent the Company in court, before tribunals, higher judicial authorities, the Public Prosecutor, juries and other judicial review or employment-related centres or bodies in all jurisdictions and at all instances and levels, in Spain, abroad or relating to any international organisation, establishing the legal relations deemed appropriate and complying in particular, by signing the application for judicial review, with the provisions of Article 45.2.d) of Law 29/1998, of 13 July.

To grant and revoke powers of attorney for lawyers and court procedural representatives.

To bring all manner of claims or actions; to file all types of exceptions in any proceedings or appeals, either as the claimant or as the defendant or with any other standing. To file all manner of claims and ordinary and extraordinary appeals at court, including extraordinary appeals on a point of law and appeals for judicial review of final decisions. To discontinue any actions, claims, lawsuits and court appeals at any stage of the proceedings. To give evidence in court as the legal representative of the Company and, where required, to personally and expressly vouch for the truth of such evidence. To settle in court and submit to arbitration any matters of interest to the Company. To enforce or ensure the enforcement of final court judgments.

To represent and appear on behalf of the Company in all manner of administrations, bankruptcy proceedings, debt compositions and rescheduling, insolvency proceedings or court-ordered liquidations, evidencing the Company's claims and endeavouring to ensure that they are secured and accepting awards in payment thereof, with the power to grant or refuse reductions and extensions. To appoint, accept and reject liquidators, administrators, experts and official receivers and to put forward and challenge proposals made in the related acts. To settle and to agree deadlines and debt compositions and rescheduling in the framework of insolvency proceedings and carry out all the formalities until compliance with and enforcement of the final decisions.

To select the place of residence and submit to constructive or express jurisdictions.

These powers may be exercised severally.

**11.** To execute, with respect to executives, the resolutions adopted by the Board of Directors or the Executive Committee after hearing the Nomination and Remuneration Committee. With respect to Company employees, to hire, transfer, penalise, suspend or dismiss employees; to determine the remuneration, salaries and other emoluments to be received by any Company employee; to grant termination benefits; and, in general, to decide on any matters relating to the employees of the Company. To appoint and revoke the appointment of mandataries or agents.

These powers may be exercised severally.

**12.** To enforce and ensure compliance with the resolutions of the General Meeting, the Board of Directors, its Executive Committee or its Chief Executive Officer and to execute, where applicable, the public deeds and other public or private documents required in accordance with the legal nature of the acts performed.

These powers may be exercised severally.

**13.** To replace and/or grant partial or full powers to third parties, to the extent of the powers granted under this power of attorney, and to partially or fully revoke such powers, including those granted prior to this power of attorney, executing for such purpose the corresponding public or private documents giving substance to the aforementioned replacement, informing the Board of Directors at the first meeting following the exercise of this power.

These powers may be exercised jointly with two other class A) attorneys-in-fact.

**14.** To attend and represent the Company at the General Meetings of all the Ebro Group companies and in the adoption of any resolutions deemed necessary, without any restrictions whatsoever.

These powers may be exercised severally.

Lastly, it should be noted that neither Antonio Hernández Callejas nor any other director or executive is empowered to issue or repurchase shares.

**h) Significant agreements entered into by the Company and which come into force or are modified or terminated in the event of a change of control of the Company as a result of a takeover bid, and their effects, except when disclosure would be seriously detrimental to the Company. This exception is not applicable where the Company is legally obliged to disclose this information.**

No agreements of this nature have been entered into.

**i) Agreements between the Company and its directors, executives or employees which provide for termination benefits upon resignation or dismissal without justification or upon termination of the employment relationship as a result of a takeover bid.**

No agreements of this nature exist between the Company and its directors.

As regards the executives of Ebro Foods, S.A. it is hereby stated that (i) there are two contractual termination clauses that provided for amounts that would exceed the termination benefits that would result from the application of the Workers' Statute and (ii) the clauses established initially for the other executives currently provide for termination benefits below the amount stipulated in the Workers' Statute as a result of their length of service.

## 10. Annual corporate governance report

Pursuant to legislation currently in force, the following section of the consolidated directors' report includes the 2010 Annual Corporate Governance Report of Ebro Foods, S.A. required by the Spanish National Securities Market Commission.



# Annual Corporate Governance Report>>>>

FINANCIAL REPORT 2010

# **ANNUAL CORPORATE GOVERNANCE REPORT**

**LISTED COMPANIES**

**DETAILS OF ISSUER**

**YEAR ENDED: 31/12/2010**

**TAX REGISTRATION NUMBER: A47412333**

**Name: EBRO FOODS, S.A.**



## ANNUAL CORPORATE GOVERNANCE REPORT LISTED COMPANIES

Read the instructions at the end of this report to correctly understand and complete the form.

### A. OWNERSHIP STRUCTURE

A.1. Complete the following table on the capital of the company:

Date latest modification	Capital ( € )	Number of shares	Number of voting rights
11/06/2002	92,319,235.20	153,865,392	153,865,392

Indicate whether there are different classes of shares with different associated rights:

NO

A.2. Give details on the direct and indirect holders of significant interests in your company at year-end, excluding directors:

Name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	Interest / total voting rights (%)
CORPORACIÓN ECONÓMICA DAMM, S.A.	14,350,000	0	9.326
SOCIEDAD ANÓNIMA DAMM	0	14,350,000	9.326
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES	0	13,315,016	8,654
HISPAFOODS INVEST S.L.	10,600,210	0	6,889
ALBA PARTICIPACIONES, S.A.	8,777,719	0	5,705
CORPORACIÓN FINANCIERA ALBA, S.A.	0	8,777,719	5,705

Name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	Interest / total voting rights (%)
CASA GRANDE DE CARTAGENA, S.L.	7,693,290	0	5.000
LOLLAND, S.A.	0	7,693,290	5.000

Name of indirect holder of the interest	Through: Name of direct holder of the interest	Number of direct voting rights	Interest / total voting rights (%)
SOCIEDAD ANÓNIMA DAMM	CORPORACIÓN ECONÓMICA DAMM, S.A.	14,350,000	9.326
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES	ALIMENTOS Y ACEITES, S.A.	13,315,016	8.654
CORPORACIÓN FINANCIERA ALBA, S.A.	ALBA PARTICIPACIONES, S.A.	8,777,719	5.705
LOLLAND, S.A.	CASA GRANDE DE CARTAGENA, S.L.	7,693,290	5.000

Indicate the principal movements in the shareholding structure during the year:

Name of shareholder	Date of transaction	Description of the transaction
CORPORACIÓN FINANCIERA ALBA, S.A.	09/09/2010	Raised interest to over 5% of the capital
CAJA ESPAÑA DE INVERSIONES, CAJA DE AHORROS Y MONTE DE PIEDAD	01/06/2010	Interest lowered to below 3% of the capital
CAJA DE AHORROS DE SALAMANCA Y SORIA	09/09/2010	Interest lowered to below 3% of the capital

A.3. Complete the following tables on directors' voting rights corresponding to shares in the company:

Name of director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights held
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Name of director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights held
ANTONIO HERNÁNDEZ CALLEJAS	30	0	0.000
JOSE BARREIRO SEOANE	3,083	0	0.002
ALIMENTOS Y ACEITES, S.A.	13,315,016	0	8.654
EUGENIO RUIZ-GÁLVEZ PRIEGO	153	0	0.000
FERNANDO CASTELLÓ CLEMENTE	2,284,750	0	1.485
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	13,588,347	10,600,210	15.721
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	113,000	1,427,007	1.001
JOSÉ NIETO DE LA CIERVA	8,880	0	0.006
LEOPOLDO DEL PINO Y CALVO-SOTELO	0	254,000	0.165
MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	10	0	0.000
SOL DAURELLA COMADRÁN	0	1,307,367	0.850

Name of indirect holder of the interest	Through: Name of direct holder of the interest	Number of direct voting rights	% of total voting rights
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HISPAFOODS INVEST, S.L.	10,600,210	6.889
SOL DAURELLA COMADRÁN	BEGINDAU, S.L.	1,227,617	0.798
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	LA FUENTE SALADA, S.L.	1,127,007	0.732
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	MENDIBEA 2002, S.L.	300,000	0.195
LEOPOLDO DEL PINO Y CALVO-SOTELO	SWIFT INVERSIONES SICAV, S.A.	254,000	0.165
SOL DAURELLA COMADRÁN	SURFUP SICAV, S.A.	79,350	0.052

<b>Total % of voting rights held by board members</b>	<b>27.883</b>
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Complete the following tables on directors with stock options in the company:

A.4. Indicate family, commercial, contractual or corporate relationships among significant shareholders known to the company, if any, except any that are insignificant and those deriving from ordinary commercial business:

**Type of relationship:**

Corporate

**Brief description:**

LOLLAND, S.A. HOLDS AN INDIRECT INTEREST OF 100% IN CASA GRANDE DE CARTAGENA, S.L.

Name of related parties
LOLLAND, S.A.

**Type of relationship:**

Corporate

**Brief description:**

INSTITUTO HISPÁNICO DEL ARROZ, S.A. HOLDS 100% OF HISPAFOODS INVEST, S.L.: DIRECT INTEREST OF 51.62% AND INDIRECT INTEREST OF 48.38%

Name of related parties
INSTITUTO HISPÁNICO DEL ARROZ, S.A.

**Type of relationship:**

Corporate

**Brief description:**

SOCIEDAD ANÓNIMA DAMM HOLDS A DIRECT INTEREST OF 99.93% IN CORPORACIÓN ECONÓMICA DAMM, S.A.

Name of related parties
CORPORACIÓN ECONÓMICA DAMM, S.A.

**Type of relationship:**

Corporate

**Brief description:**

CORPORACIÓN FINANCIERA ALBA, S.A. HOLDS A DIRECT INTEREST OF 100% IN ALBA PARTICIPACIONES, S.A.

Name of related parties
CORPORACIÓN FINANCIERA ALBA, S.A.

**Type of relationship:**

Corporate

**Brief description:**

SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES HOLDS A DIRECT INTEREST OF 91.963% IN ALIMENTOS Y ACEITES, S.A.

Name of related parties
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES

A.5. Indicate commercial, contractual or corporate relationships between significant shareholders and the company and/or its group, if any, except any that are insignificant and those deriving from ordinary commercial business:

A.6. State whether the company has been notified of any shareholders' agreements that may affect it pursuant to the Securities Market Act s. 112. If any, describe them briefly and list the shareholders bound by the agreement:

NO

Indicate and describe any concerted actions among company shareholders of which the company is aware:

NO

Expressly indicate any change or break-up of those agreements or concerted actions, if any, that has taken place during the year.

A.7. Indicate any individuals or entities that exercise or may exercise control over the company in pursuance of section 4 of the Securities Market Act:

NO

A.8. Complete the following tables on the company's treasury stock:

At year-end:

Number of direct shares	Number of indirect shares (*)	Treasury stock/capital (%)
0	0	0.000

(\*) Through:

<b>Total</b>	0
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Give details on any significant variations during the year, according to the provisions of Royal Decree 1362/2007:

Date of communication	Total direct shares acquired	Total indirect shares acquired	% of capital
13/09/2010	299,403	0	0.193

<b>Gain/(loss) obtained during the year on trading in own shares</b>	-2,202
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A.9. Indicate the term and conditions of the authorisation granted by the General Meeting to the Board to buy or sell own shares

The Annual General Meeting of Shareholders held on second call on 1 June 2010 resolved, under item six on the agenda, to authorise the Board of Directors to buy back own shares and to authorise subsidiaries to acquire shares in the parent company, by purchase or on any other payment basis, subject to the limits and other requisites stipulated in law.

a. Conditions of the authorisation

Authorisation to the Board of Directors to buy back own shares and to authorisation of subsidiaries to acquire shares in the parent company, by purchase or on any other payment basis, on one or several occasions, subject to the limits and other requisites stipulated in section 75 and other applicable provisions of the current (recast) Corporations Act:

- The par value of the shares acquired directly or indirectly, when added to the par value of any shares already held by the company and its subsidiaries, may not at any time exceed 10% of the capital.

- The acquisition, including any shares that the company or any person acting in his own name but on behalf of the company has acquired earlier and holds as treasury stock, does not reduce the equity to below the amount of capital plus legal or statutory undistributable reserves. For this purpose, equity shall be the amount calculated as such according to the criteria for drawing up the annual accounts, less any profits attributed directly thereto and plus any uncalled subscribed capital and the par value and share premiums of any subscribed capital that is accounted for as liabilities.

- The shares acquired must be fully paid up.
- The minimum and maximum price of the acquisition must be equivalent to the par value of the own shares bought back and their market price on an official secondary market, respectively, at the time of purchase.

b. Contents of the authorisation

- Authorisation of the Board to buy back own shares, by virtue of a direct decision or through delegation to the Executive Committee or such person or persons as the Board may authorise for this purpose, to hold those shares as treasury stock, dispose of them or, as the case may be, propose their redemption to the General Meeting, subject to the limits stipulated in law and the conditions established in this resolution. The authorisation is extended to the possibility of buying back own shares for delivery directly to employees or directors of the company or its group, on one or several occasions, or upon exercise of any stock options that they may hold.

This authorisation is granted for a period not exceeding five years from the date of the General Meeting and covers all trading in treasury stock made on the terms hereof, with no need to be repeated for each acquisition, and any funding or allocation of reserves made in pursuance of applicable laws.

- Authorisation of the Board to reduce the capital in order to redeem shares bought back by the company or acquired any of the companies in its group, against the capital (for their par value) and unappropriated reserves (for the amount of their acquisition in excess of that par value), in such amounts as may be deemed fit from time to time, up to the maximum of the own shares held from time to time.
- Delegation to the Board to execute the resolution to reduce the capital, so that it may do so on one or several occasions or decline to do so, within a period not exceeding 18 months from the date of this General Meeting, taking whatsoever actions may be necessary for this purpose or required by prevailing legislation.

c. Term of the authorisation

- The authorisation is granted for a maximum of eighteen months from the date of the General Meeting and covers all dealings in own shares effected on the terms and conditions stated herein, without having to be repeated for each acquisition, and any funding or allocation of reserves made in pursuance of the Corporations Act.

This authorisation rendered null and void the authorisation granted to the Board at the General Meeting held on 29 April 2009.

A.10. Indicate constraints stipulated in law or the company's articles on the exercise of voting rights and legal restrictions on the acquisition and disposal of shares in the capital. State whether there are any legal restrictions on the exercise of voting rights:

NO

<b>Maximum percentage of voting rights that one shareholder may exercise by legal restriction</b>	0
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State whether the articles of association establish any restrictions on the exercise of voting rights:

NO

<b>Maximum percentage of voting rights that one shareholder may exercise by restriction in the articles of association</b>	0
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State whether there are any legal restrictions on the acquisition or disposal of shares in the capital:

NO

A.11. Indicate whether the General Meeting has resolved to apply the breakthrough rule against a takeover bid, under Act 6/2007:

NO

If so, explain the measures approved and the terms on which the restrictions will become ineffective:

## **B. MANAGEMENT STRUCTURE OF THE COMPANY**

### **B.1. Board of Directors**

B.1.1. State the maximum and minimum numbers of directors stipulated in the articles of association:

<b>Maximum number of directors</b>	14
<b>Minimum number of directors</b>	7

B.1.2. Give details of the board members:

<b>Name of director</b>	<b>Representative</b>	<b>Position on Board</b>	<b>Date first appointment</b>	<b>Date latest appointment</b>	<b>Election procedure</b>
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Name of director	Representative	Position on Board	Date first appointment	Date latest appointment	Election procedure
ANTONIO HERNÁNDEZ CALLEJAS	—	CHAIRMAN	01/01/2001	01/06/2010	VOTE AT AGM
JOSÉ BARREIRO SEOANE	—	VICE-CHAIRMAN	31/05/2005	01/06/2010	VOTE AT AGM
ALIMENTOS Y ACEITES, S.A.	FRANCISCO BALLESTEROS PINTO	DIRECTOR	23/07/2004	01/06/2010	VOTE AT AGM
DEMETRIO CARCELLER ARCE	—	DIRECTOR	01/06/2010	01/06/2010	VOTE AT AGM
EUGENIO RUIZ-GÁLVEZ PRIEGO	—	DIRECTOR	25/07/2000	01/06/2010	VOTE AT AGM
FERNANDO CASTELLÓ CLEMENTE	—	DIRECTOR	13/12/2000	01/06/2010	VOTE AT AGM
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	FÉLIX HERNÁNDEZ CALLEJAS	DIRECTOR	01/06/2010	01/06/2010	VOTE AT AGM
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	—	DIRECTOR	13/12/2000	01/06/2010	VOTE AT AGM
JOSÉ NIETO DE LA CIERVA	--	DIRECTOR	29/09/2010	29/09/2010	COOPTATION
LEOPOLDO DEL PINO Y CALVO-SOTELO	—	DIRECTOR	18/04/2007	01/06/2010	VOTE AT AGM
MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	—	DIRECTOR	23/02/2006	01/06/2010	VOTE AT AGM
RUDOLF-AUGUST OETKER	—	DIRECTOR	01/06/2010	01/06/2010	VOTE AT AGM
SOL DAURELLA COMADRÁN	—	DIRECTOR	01/06/2010	01/06/2010	VOTE AT AGM

<b>Total number of directors</b>	13
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Indicate any retirements from the board during the year:

<b>Name of shareholder</b>	<b>Director status at date of retirement</b>	<b>Date of retirement</b>
FÉLIX HERNÁNDEZ CALLEJAS	PROPRIETARY	01/06/2010
CAJA ESPAÑA DE INVERSIONES, CAJA DE AHORROS Y MONTE DE PIEDAD	PROPRIETARY	01/06/2010
JUAN DOMINGO ORTEGA MARTÍNEZ	INDEPENDENT	01/06/2010
CAJA DE AHORROS DE SALAMANCA Y SORIA	PROPRIETARY	21/09/2010
JAIME CARBÓ FERNÁNDEZ	EXECUTIVE	22/12/2010

B.1.3. Complete the following tables on the types of board members:

#### EXECUTIVE DIRECTORS

<b>Name of Director</b>	<b>Committee proposing appointment</b>	<b>Position in company's organisation</b>
ANTONIO HERNÁNDEZ CALLEJAS	NOMINATION AND REMUNERATION COMMITTEE	CHAIRMAN

<b>Total number of executive directors</b>	1
<b>% of board</b>	7.692

#### NON-EXECUTIVE PROPRIETARY DIRECTORS

<b>Name of Director</b>	<b>Committee proposing appointment</b>	<b>Name of significant shareholder represented or that proposed appointment</b>
ALIMENTOS Y ACEITES, S.A.	NOMINATION AND REMUNERATION COMMITTEE	SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES

<b>Name of Director</b>	<b>Committee proposing appointment</b>	<b>Name of significant shareholder represented or that proposed appointment</b>
DEMETRIO CARCELLER ARCE	NOMINATION AND REMUNERATION COMMITTEE	SOCIEDAD ANÓNIMA DAMM
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	NOMINATION AND REMUNERATION COMMITTEE	INSTITUTO HISPÁNICO DEL ARROZ, S.A.
JOSÉ NIETO DE LA CIERVA	NOMINATION AND REMUNERATION COMMITTEE	CORPORACIÓN FINANCIERA ALBA, S.A.
LEOPOLDO DEL PINO Y CALVO-SOTELO	NOMINATION AND REMUNERATION COMMITTEE	LOLLAND, S.A.
MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	NOMINATION AND REMUNERATION COMMITTEE	INSTITUTO HISPÁNICO DEL ARROZ, S.A.
RUDOLF-AUGUST OETKER	NOMINATION AND REMUNERATION COMMITTEE	SOCIEDAD ANÓNIMA DAMM

<b>Total number of proprietary directors</b>	7
<b>% of board</b>	53.846

#### NON-EXECUTIVE INDEPENDENT DIRECTORS

##### **Name of Director**

JOSÉ BARREIRO SEOANE

##### **Profile**

Born in El Ferrol (La Coruña). Agricultural Engineer with B.A. in Commercial Management and Marketing (ESIC). Former Councillor for Agriculture in the Spain Mission to the World Trade Organisation and Secretary General of the Ministry of Agriculture, Food and Fisheries. Has held other important positions in different national and international organisations related with agriculture, food and fisheries.

##### **Name of Director**

FERNANDO CASTELLÓ CLEMENTE

##### **Profile**

Born in Mollerusa (Lleida). Industrial Engineer and MBA (IESE). Lecturer in the School of Engineers and Architects of Fribourg (Switzerland). Has held several important executive and management positions in companies operating in the dairy sector and has extensive experience in the sector. Currently Vice-Chairman of Merchpensión, S.A. and on the board of other consultancy and financial services companies.

##### **Name of Director**

JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL

##### **Profile**

Born in San Sebastián. Economist and graduate in International Banking. Extensive experience in the financial sector, director and executive positions in several financial

institutions and insurance companies, such as Banco Hispano Americano, Mutua Madrileña and Axa Winterthur, among others. Chairman of Rexam Ibérica and Arbitraje & Inversiones S.L.

**Name of Director**

SOL DAURELLA COMADRÁN

**Profile**

Born in Barcelona. BA in Business Studies and MBA (ESADE). Her professional career is closely linked with management of the family business of Coca Cola concessions on the Iberian peninsula and in Africa. Currently Vice-Chairman and CEO of Cobega, S.A. and Director of Casbega, S.A., Norbega, S.A., Refrige, S.A. and Banco de Sabadell.

<b>Total number of independent directors</b>	4
<b>% of board</b>	30.769

OTHER NON-EXECUTIVE DIRECTORS

<b>Name of Director</b>	<b>Committee proposing appointment</b>
EUGENIO RUIZ-GÁLVEZ PRIEGO	NOMINATION AND REMUNERATION COMMITTEE

<b>Total number of independent directors</b>	1
<b>% of board</b>	7.692

State why they cannot be considered proprietary or independent directors and their relationships, with the company or its executives or with the shareholders.

**Name of Director**

EUGENIO RUIZ-GÁLVEZ PRIEGO

**Company, executive or shareholder with which he is related**

AZUCARERA EBRO, S.L.U.

**Profile**

Up to 30 April 2009, Eugenio Ruiz-Gálvez Priego was an 'Executive Director' because up to that date he was CEO of Azucarera Ebro, S.L.U., a company then wholly-owned by Ebro Foods, S.A. On 30 April 2009, Ebro Foods (then Ebro Puleva) sold all its shares in Azucarera, so Mr Ruiz Gálvez ceased to be an Executive Director and was classified as an "Other Non-Executive Director", since he cannot be considered independent.

Indicate any variations during the year in the type of each director:

B.1.4. Explain, if appropriate, why proprietary directors have been appointed at the request of shareholders holding less than 5% of the capital.

State whether formal requests for presence on the board have been rejected from shareholders holding interests equal to or greater than others at whose request proprietary directors have been appointed. If appropriate, explain why such requests were not met.

NO

B.1.5. State whether any director has retired before the end of his/her term of office, whether said director explained the reasons for such decision to the Board and through what means, and if the explanations were sent in writing to the entire Board, explain below at least the reasons given by the director.

YES

**Name of Director**

CAJA DE AHORROS DE SALAMANCA Y SORIA

**Reason for retirement**

SALE OF ALL SHARES IN EBRO FOODS, S.A. HELD INDIRECTLY BY CAJA DUERO THROUGH GRUPO DE NEGOCIOS DUERO, S.A.U.

**Name of Director**

CAJA ESPAÑA DE INVERSIONES, CAJA DE AHORROS Y MONTE DE PIEDAD

**Reason for retirement**

PROGRESSIVE SALE OF SHARES IN EBRO FOODS, S.A. HELD BY CAJA ESPAÑA

**Name of Director**

FÉLIX HERNÁNDEZ CALLEJAS

**Reason for retirement**

PROFESSIONAL REASONS

**Name of Director**

JAIME CARBÓ FERNÁNDEZ

**Reason for retirement**

PROFESSIONAL REASONS

**Name of Director**

JUAN DOMINGO ORTEGA MARTÍNEZ

**Reason for retirement**

PROFESSIONAL REASONS

B.1.6. Indicate the powers delegated to the Managing Director(s), if any:

B.1.7. Name Board members, if any, who are also directors or executives of other companies in the same group as the listed company:

<b>Name of director</b>	<b>Name of Group company</b>	<b>Position</b>
ANTONIO HERNÁNDEZ CALLEJAS	A W MELLISH LIMITED	JOINT & SEVERAL DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	ANGLO AUSTRALIAN RICE LIMITED	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	ARROZEIRAS MUNDIARROZ. S.A.	CHAIRMAN
ANTONIO HERNÁNDEZ CALLEJAS	BIOSEARCH, S.A.	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	BOOST NUTRITION, C.V.	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	DANRICE, A/S	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	EBRO AMERICA, INC.	CHAIRMAN
ANTONIO HERNÁNDEZ CALLEJAS	HEAP COMET LIMITED	JOINT & SEVERAL DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	HERBA GERMANY GMBH	JOINT & SEVERAL DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	JOSEPH HEAP & SONS LIMITED	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	JOSEPH HEAP PROPERTY LIMITED	JOINT & SEVERAL DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	N&C BOOST, N.V.	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	NEW WORLD PASTA COMPANY	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	PANZANI, S.A.S.	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	RIVIANA FOODS, INC.	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	S&B HERBA FOODS LIMITED	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	VOGAN&CO LIMITED	DIRECTOR

B.1.8. Name the company directors, if any, who are on the Boards of non-group companies listed on Spanish stock exchanges, insofar as the company has been notified:

<b>Name of Director</b>	<b>Listed Company</b>	<b>Position</b>
DEMETRIO CARCELLER ARCE	COMPAÑÍA LOGÍSTICA DE HIDROCARBUROS CLH, S.A.	DIRECTOR

<b>Name of Director</b>	<b>Listed Company</b>	<b>Position</b>
DEMETRIO CARCELLER ARCE	GAS NATURAL SDG, S.A.	DIRECTOR
DEMETRIO CARCELLER ARCE	SACYR VALLEHERMOSO, S.A.	DIRECTOR
DEMETRIO CARCELLER ARCE	SOCIEDAD ANÓNIMA DAMM	CHAIRMAN
EUGENIO RUIZ-GÁLVEZ PRIEGO	PROSEGUR, COMPAÑÍA DE SEGURIDAD, S.A.	DIRECTOR
EUGENIO RUIZ-GÁLVEZ PRIEGO	CORPORACIÓN FINANCIERA ALBA, S.A.	DIRECTOR
LEOPOLDO DEL PINO Y CALVO-SOTELO	GRUPO FERROVIAL, S.A.	DIRECTOR
SOL DAURELLA COMADRÁN	BANCO DE SABADELL, S.A.	DIRECTOR
SOL DAURELLA COMADRÁN	BANCO GUIPUZCOANO, S.A.	DIRECTOR

B.1.9. Indicate and, where appropriate, explain whether the company has established rules on the number of directorships its directors may hold:

YES

<b>Explain the rules</b>
Article 25 of the Regulations of the Board (“General Duties of Directors”) provides in section 1 that Directors shall dedicate to the company such attention and time as may be necessary to guarantee the effective and adequate fulfilment of each and all of the duties corresponding to their position. Consequently, the maximum number of other directorships they may hold will be such as to ensure that they are able at all times to meet each and all of their obligations to the company.

B.1.10. In connection with recommendation number 8 of the Unified Code, indicate the company policies and general strategies that must be approved by the full Board:

<b>Investment and financing policy</b>	YES
<b>Definition of the structure of the group of companies</b>	YES
<b>Corporate governance policy</b>	YES
<b>Corporate social responsibility policy</b>	YES
<b>Strategic or business plan and the annual management objectives and budget</b>	YES
<b>Pay policy and performance rating of senior executives</b>	YES
<b>Risk management and control policy and regular monitoring of internal reporting and control systems</b>	YES
<b>Dividend policy, treasury stock policy and, in particular, the limits established</b>	YES

B.1.11. Complete the following tables on the aggregate directors' emoluments accrued during the year:

a) In the Company issuing this report:

Emoluments	Thousand euro
Fixed remuneration	1,245
Variable remuneration	1,678
Attendance fees	347
Emoluments stipulated in articles of association	2,565
Stock options and/or other financial instruments	0
Others	0

<b>Total</b>	5,835
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Other Benefits	Thousand euro
Advances	0
Loans granted	0
Pension Funds and Schemes: Contributions	0
Pension Funds and Schemes: Obligations contracted	0
Life assurance premiums	0
Guarantees furnished by the company for directors	0

b) For company directors who are on other Boards and/or in the top management of group companies:

Emoluments	Thousand euro
Fixed remuneration	367



<b>Emoluments</b>	<b>Thousand euro</b>
Variable remuneration	151
Attendance fees	8
Emoluments stipulated in articles of association	0
Stock options and/or other financial instruments	0
Others	0

<b>Total</b>	<b>526</b>
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<b>Other Benefits</b>	<b>Thousand euro</b>
Advances	0
Loans granted	0
Pension Funds and Schemes: Contributions	0
Pension Funds and Schemes: Obligations contracted	0
Life assurance premiums	0
Guarantees furnished by the company for directors	0

c) Total emoluments by type of director:

<b>Types of Directors</b>	<b>Company</b>	<b>Group companies</b>
Executive	2,923	518
Non-executive proprietary	1,876	8
Non-executive independent	886	0
Other non-executive	150	0
<b>Total</b>	<b>5,835</b>	<b>526</b>

d) Directors' share in the profit of the parent company:

<b>Total directors' emoluments (thousand euro)</b>	6,361
<b>Total directors' emoluments / profit attributed to parent company (%)</b>	1.6

B.1.12. Name the members of top management who are not executive directors and indicate the aggregate remuneration accrued in their favour during the year:

<b>Name</b>	<b>Position</b>
NICOLÁS BAUTISTA VALERO DE BERNABÉ	DEPUTY TO THE CHAIRMAN
ANA MARÍA ANTEQUERA PARDO	MANAGER COMMUNICATIONS
LEONARDO ÁLVAREZ ARIAS	MANAGER I.T.
FRANCISCO JAVIER LOZANO VALLEJO	FINANCE MANAGER
ALFONSO FUERTES BARRÓ	MANAGER ECONOMY
GABRIEL SOLÍS PABLOS	TAX MANAGER
MIGUEL ANGEL PÉREZ ÁLVAREZ	SECRETARY
YOLANDA DE LA MORENA CEREZO	VICE-SECRETARY
GLORIA RODRÍGUEZ PATA	MANAGER CORPORATE ASSETS
JESÚS DE ZABALA BAZÁN	MANAGER AUDIT & COMPLIANCE

<b>Total remuneration top management (thousand euro)</b>	2,103
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B.1.13. Indicate globally whether any golden handshake clauses have been established for the top management, including Executive Directors, of the company or its group in the event of dismissal or change of ownership. State whether these contracts have to be notified to and/or approved by the governing bodies of the company/group companies:

<b>Number of beneficiaries</b>	2
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	<b>Board of Directors</b>	<b>General Meeting</b>
<b>Body authorising the clauses</b>	YES	NO

Is the General Meeting informed on the clauses?	YES
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B.1.14. Explain the process for establishing the remuneration of the Board members and the relevant articles of the articles of association

**Process for establishing directors' emoluments and the relevant articles of the articles of association**

The remuneration of Board members is regulated in Article 22 of the company's Articles of Association which, following amendment as agreed at the Annual General Meeting on 1 June 2010, establishes the following process:

When approving the company's accounts for the previous year, the general meeting shall set aside for the directors a share of 2.5% (two and a half per cent) of the consolidated profits attributable to the company, although this sum may only be taken from the company's net profit for the year and after meeting the legal reserve requirements, setting aside for the shareholders the minimum dividend established in prevailing legislation and meeting all and any other priority assignments required by law. The directors may waive this remuneration, in full or in part, when drawing up the accounts.

The board shall distribute the aforesaid sum among its members, annually and at its discretion, according to the duties assumed by each director on the board.

The directors shall also be entitled to a fee for attending meetings of the corporate bodies, the amount of which shall be established every year by the general meeting.

Directors with executive duties in the company shall, regardless of the nature of their legal relationship with the latter, be entitled to remuneration for the performance of such duties, the amount of which shall be decided each year at the Annual General Meeting. This remuneration may contemplate welfare payments to cover any public/private pension schemes and insurance systems considered necessary or retirement from office.

In addition and independently of the emoluments contemplated in the preceding paragraphs, directors may receive remuneration in the form of shares, stock options or any other system of remuneration indexed to the price of the shares of the company or any other companies in its group. The general meeting shall decide if and when any of these remuneration systems are to be used, pursuant to the form, terms and conditions stipulated in law.

If executive directors waive their share in the profits, as contemplated in the first paragraph of this article, the sums that would correspond to them as a share in the profits of the company will not be distributed among the remaining directors.

On 28 February 2011, as proposed by the Nomination and Remuneration Committee, the Board resolved to set the share corresponding to the Chairman and executive directors in the 2010 profits at 2,565,454 euro and, consequently, to put to shareholders at the Annual General Meeting a proposal to apply 0.66% of the consolidated net profit attributed to the company in 2010 to such remuneration.

As regards the distribution of the share in profits among the different members of the Board according to the duties assumed by each of the directors on the board and its different committees, the scale applicable for 2010, after the latest review by the Board upon recommendation by the Nomination and Remuneration Committee, is as follows:

**Process for establishing directors' emoluments and the relevant articles of the articles of association**

- Member of the Board of Directors: 1 point
- Chairman of the Board: 1 point
- Vice-Chairman of the Board: 0.5 points
- Member of the Executive Committee: 1 point
- Committees other than the Executive Committee:
  - Member of the Committee: 0.2 points
  - Chairman of the Committee: 0.05 points per meeting
  - Committee members: 0.03 points per meeting

Finally, attendance fees for board meetings were maintained at 1,600 euro and the attendance fees for the different committees at 800 euro.

State whether the full Board has reserved approval of the following decisions:

<b>At the proposal of the CEO, the appointment and possible removal of senior officers and their compensation clauses</b>	YES
<b>Directors' emoluments and, for executive directors, the additional remuneration for their executives duties and other conditions to be respected in their contracts</b>	YES

B.1.15. Indicate whether the Board approves a detailed remuneration policy and what issues it defines:

YES

<b>Amount of fixed components, with breakdown, if appropriate, of attendance fees for board and committee meetings and an estimate of the resulting annual fixed remuneration</b>	YES
<b>Variable remuneration items</b>	YES
<b>Main features of the welfare system, estimating the amount or equivalent annual cost</b>	YES
<b>Conditions to be respected in the contracts of those exercising top management duties as executive directors</b>	YES

B.1.16. State whether the Board puts a report on the directors' remuneration policy to the vote at the General Meeting, as a separate item on the agenda and with advisory status. If so, explain the aspects of the report on the remuneration policy approved by the Board for future years, the most significant changes of those policies in respect of the policy applied during this period and an overall summary of how the remuneration policy was applied during the year. Describe the role of the Remuneration Committee and, if outside counselling has been used, name the external advisers who provided it:

YES

<b>Issues contemplated in the remuneration policy</b>
<ul style="list-style-type: none"> <li>- Background</li> <li>- Internal regulations applicable</li> <li>- Remuneration policy for 2010</li> <li>- Remuneration policy for future years</li> <li>- Other information</li> </ul>

<b>Role of the Remuneration Committee</b>
Examined and issued a favourable report on the Report on the Directors' Remuneration Policy for 2010, to be submitted to the Board.

<b>Was any external counselling used?</b>	YES
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<b>Identity of the external advisers</b>
Garrigues Human Capital Services

B.1.17. Name any Board members who are also directors, executives or employees of companies holding significant interests in the listed company and/or companies in its group:

<b>Name of director</b>	<b>Name of significant shareholder</b>	<b>Position</b>
DEMETRIO CARCELLER ARCE	SOCIEDAD ANÓNIMA DAMM	CHAIRMAN
DEMETRIO CARCELLER ARCE	CORPORACIÓN ECONÓMICA DAMM, S.A.	CHAIRMAN
EUGENIO RUIZ-GÁLVEZ PRIEGO	CORPORACIÓN FINANCIERA ALBA, S.A.	DIRECTOR
LEOPOLDO DEL PINO Y CALVO-SOTELO	LOLLAND, S.A.	DIRECTOR
LEOPOLDO DEL PINO Y CALVO-SOTELO	CASA GRANDE DE CARTAGENA, S.L.	DIRECTOR

Describe any significant relationships other than those contemplated in the previous section between board members and significant shareholders and/or companies in their group:

**Name of director**

ANTONIO HERNÁNDEZ CALLEJAS

**Name of significant shareholder**

HISPAFOODS INVEST S.L.

**Description of relationship**

ANTONIO HERNÁNDEZ CALLEJAS HAS AN INDIRECT HOLDING OF 16.666% IN HISPAFOODS INVEST S.L.

**Name of director**

ANTONIO HERNÁNDEZ CALLEJAS

**Name of significant shareholder**

INSTITUTO HISPÁNICO DEL ARROZ, S.A.

**Description of relationship**

ANTONIO HERNÁNDEZ CALLEJAS HAS A DIRECT HOLDING OF 16.666% IN INSTITUTO HISPÁNICO DEL ARROZ, S.A.

**Name of director**

ALIMENTOS Y ACEITES, S.A.

**Name of significant shareholder**

SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES

**Description of relationship**

SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES HAS A DIRECT HOLDING OF 91.963% IN ALIMENTOS Y ACEITES, S.A.

**Name of director**

LEOPOLDO DEL PINO Y CALVO-SOTELO

**Name of significant shareholder**

CASA GRANDE DE CARTAGENA, S.L.

**Description of relationship**

LEOPOLDO DEL PINO Y CALVO-SOTELO HAS AN INDIRECT HOLDING OF 13.68% IN CASA GRANDE DE CARTAGENA, S.L.

**Name of director**

LEOPOLDO DEL PINO Y CALVO-SOTELO

**Name of significant shareholder**

LOLLAND, S.A.

**Description of relationship**

LEOPOLDO DEL PINO Y CALVO-SOTELO HAS AN INDIRECT HOLDING OF 13.68% IN LOLLAND, S.A.

**Name of director**

MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ

**Name of significant shareholder**

HISPAFOODS INVEST S.L.

**Description of relationship**

MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ HAS AN INDIRECT HOLDING OF 16.666% IN HISPAFOODS INVEST S.L.

**Name of director**

MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ

**Name of significant shareholder**

INSTITUTO HISPÁNICO DEL ARROZ, S.A.

**Description of relationship**

MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ HAS A DIRECT HOLDING OF 16.666% IN INSTITUTO HISPÁNICO DEL ARROZ, S.A.

B.1.18. State whether any modifications have been made during the year to the Regulations of the Board:

NO

B.1.19. Describe the procedures for appointment, re-election, assessment and removal of directors. Indicate the competent bodies, the formalities and the criteria to be followed in each of these procedures.

The procedures for appointment, re-election and removal of the directors are regulated in Articles 19 and 20 of the Articles of Association, and Articles 5, 21, 22, 23 and 24 of the Regulations of the Board.

The General Meeting is responsible for deciding on the number of directors the company is to have, within the minimum (7) and maximum (15) established in the Articles of Association, and for appointing or re-electing directors as proposed by the Board, subject to a favourable report by the Nomination and Remuneration Committee.

The Board may appoint directors by cooptation, upon recommendation by the Chairman and subject to a report by the Nomination and Remuneration Committee. The initiative of the Board regarding the incorporation of members by no means detracts from the sovereign power of the General Meeting to appoint and remove directors, or from any potential exercise by shareholders of their right to proportional representation.

The persons nominated by the Board for appointment or re-appointment as directors must be persons of recognised standing, with adequate experience and expertise to be able to perform their duties.

As regards the role of the Nomination and Remuneration Committee in the appointment of directors, see the duties of this Committee in section B.2.3 of this Report.

Directors are appointed for a term of four years, after which they are eligible for re-election on one or several occasions for terms of an equal duration. This term of four years is counted from the date of the General Meeting at which they are appointed, or ratified when previously appointed by cooptation by the Board.

If vacancies arise during the term for which they were appointed, the Board may appoint shareholders to fill those vacancies up to the next general meeting. Directors' appointments shall end at the first general meeting held after expiry of their term or lapse of the time stipulated in law for holding the general meeting that is to approve the accounts of the previous year.

The Board regularly rates the Directors on their efficiency and fulfilment of their obligations, requesting the corresponding reports from its Committees, and if considered necessary it may propose any modifications that may be appropriate to improve their performance.

Directors retire upon expiry of the term for which they were appointed and in all other events stipulated in law, the Articles of Association or the Regulations of the Board. They must tender their resignations to the Board and step down in the events established in Article 24 of the Regulations of the Board.

B.1.20. Indicate the events in which directors are obliged to retire.

The retirement and resignation of directors are regulated in Article 24 of the Regulations of the Board:

- Directors must step down at the end of the term for which they were appointed and in all other events stipulated in law, the Articles of Association and the Regulations of the Board.

- Directors must also tender their resignations and step down in the following cases:

a) When they are affected by one of the causes of incompatibility or disqualification established in law, the articles of association or the regulations.

b) When they step down from the executive post to which their appointment as director was linked, when the shareholder they represent on the Board disposes of its shares in the company or reduces its interest to an extent requiring a reduction in the number of proprietary directors and, in general, whenever the reasons for their appointment disappear.

c) When the Board, following a report by the Nomination and Remuneration Committee, considers that the Director has seriously defaulted his obligations or for reasons of corporate interest.

The Board of Directors shall propose to the General Meeting of Shareholders that a Director be removed if one of the circumstances described above occurs and the Director fails to tender his resignation.

B.1.21. Explain whether the Chairman of the Board is the highest executive of the company. If so, state what measures have been adopted to limit the risks of any single person having unfettered powers:

YES

<b>Measures for limiting risks</b>
<p>With a view to establishing corrective measures in the articles of association to prevent excessive concentration of power in the Chairman when he is also the most senior executive of the company, Article 25 of the Articles of Association creates the figure of a Vice-Chairman appointed from among the non-executive directors to boost the management supervision and control duties.</p> <p>In accordance with this provision, the current Vice-Chairman of the Board, José Barreiro Seoane, is an independent director and performs the aforesaid duties.</p>

Indicate and if appropriate explain whether rules have been established authorising one of the independent directors to request the calling of a board meeting or the inclusion of new items on the agenda, to coordinate and echo the concerns of non-executive directors and to direct the assessment by the board.

YES

<b>Explanation of the rules</b>
<p>The Regulations of the Board specify the events in which directors may request the calling of a board meeting or inclusion of items on the agenda; this power is not limited to independent directors.</p> <p>Article 9.2 of the Regulations establishes that one-third of the board members may, no less than six days prior to the scheduled date of the Board meeting, request the inclusion of any items they believe ought to be transacted.</p>



<b>Explanation of the rules</b>
<p>Article 9.5 of the Regulations states that the board may discuss and resolve on issues included on the agenda and any others that all the directors present and represented agree to transact.</p>
<p>Article 25.2.b) stipulates that Directors shall also request meetings of the corporate bodies to which they belong whenever they consider this necessary in the interests of the Company, proposing whatever items they think should be included on the agenda.</p>
<p>Finally, Article 33.1 provides that if the Chairman of the Board is also the chief executive of the company, a Vice-Chairman must be appointed from among the non-executive directors with the power to request the calling of a board meeting or the inclusion of new items on the agenda, who may organise meetings to coordinate non-executive directors and will direct the Chairman performance rating.</p>

B.1.22. Are special majorities differing from those stipulated in law required for any type of decision?

NO

Explain how resolutions are adopted on the Board, indicating at least the quorum and the majorities required for adopting resolutions:

**Description of the resolution:**

Ordinary resolutions.

<b>Quorum</b>	%
Quorum for attendance: one-half plus one of the Board members	51.00

<b>Majority</b>	%
These resolutions are adopted by absolute majority of the directors present or represented at each meeting.	51.00

**Description of the resolution:**

Resolutions delegating powers to the Executive Committee and Managing Director, or CEO, and appointing directors to those positions.

<b>Quorum</b>	%
Quorum for attendance: two-thirds of the Board members	66.66

<b>Majority</b>	%
These resolutions are adopted by a majority of two-thirds of the Board members	66.66

B.1.23. Are there any specific requirements, other than those established for directors, to be appointed Chairman?

NO

B.1.24. Does the Chairman have a casting vote?

YES

<b>Matters on which there is a casting vote</b>
All.

B.1.25. Do the Articles of Association or Regulations of the Board establish an age limit for directors?

NO

<b>Age limit Chairman</b>	<b>Age limit Managing Director</b>	<b>Age limit Director</b>
0	0	0

B.1.26. Do the Articles of Association or Regulations of the Board establish a limited term of office for independent directors?

NO

<b>Maximum number of years in office</b>	0
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B.1.27. If the number of female directors is small or non-existent, explain why and the initiative taken to remedy that situation.

<b>Explanation of reasons and initiatives</b>
Board members are appointed regardless of candidates' sex so there is no positive or negative discrimination of any nature in the election of directors.  María Blanca Hernández Rodríguez was appointed director in 2006 and Sol Daurella Comadrán was appointed director in 2010.

In particular, indicate whether the Nomination and Remuneration Committee has established procedures to ensure that the selection procedures are not implicitly biased against the selection of female directors and deliberately search for candidates with the required profile:

NO

<b>Describe the principal procedures</b>

B.1.28. Are there any formal procedures for the delegation of votes at Board meetings? If so, include a brief description.

Both the Articles of Association (Article 24) and the Regulations of the Board (Article 10) contemplate the possibility of directors attending Board meetings through a duly authorised proxy.

The proxy must be made in writing especially for each board meeting, in favour of another director.

The represented director may issue specific instructions on how to vote on any or all of the items on the agenda.

B.1.29. State the number of meetings held by the Board of Directors during the year, indicating, if appropriate, how many times the Board has met without the Chairman:

<b>Number of board meetings</b>	13
<b>Number of board meetings held without the chairman</b>	0

Number of meetings held by the different Committees of the Board:

<b>Number of meetings of the Executive Committee</b>	7
<b>Number of meetings of the Audit Committee</b>	7
<b>Number of meetings of the Nomination and Remuneration Committee</b>	6
<b>Number of meetings of the Nomination Committee</b>	0
<b>Number of meetings of the Remuneration Committee</b>	0

B.1.30. Number of meetings held by the Board during the period without the attendance of all its members. Proxies made without specific instructions will be considered absences:

<b>Number of absences of directors during the year</b>	0
<b>% absences to total votes during the year</b>	0.000

B.1.31. Are the separate and consolidated annual accounts submitted to the Board for approval previously certified?

NO

If so, name the person(s) who certify the separate or consolidated annual accounts of the company before they are approved by the Board:

B.1.32. Explain the mechanisms, if any, established by the Board to avoid a qualified auditors' report on the separate and consolidated accounts laid before the General Meeting.

Relations with the auditors are expressly regulated in Article 19 of the Regulations of the Board, which stipulates in section 2 that the Board shall endeavour to draw up the Annual Accounts in such a way as to avoid a qualified Auditors' report.

Within the specific duties attributed to the board in certain areas, Article 7.1 of the Regulations establishes that the Board shall see that the separate and consolidated Annual Accounts and Directors' Reports give a true and fair view of the equity, financial position and results of the company, as stipulated in law, and each and all of the Directors shall have all the necessary information before signing the Annual Accounts.

Article 13.3 of the Regulations of the Board gives the Audit and Compliance Committee certain powers to ensure that the Annual Accounts are filed without a qualified auditors' report (see section B.2.3).

B.1.33. Is the Secretary of the Board a Director?

NO

B.1.34. Explain the procedure for appointment and removal of the Secretary of the Board, indicating whether the Nomination Committee has issued a report for such appointment and removal and whether they were approved by the full board.

<b>Appointment and removal procedure</b>
The Secretary of the Board may or may not be a director, is appointed by the Board upon recommendation by the Nomination and Remuneration Committee, after ensuring that his/her professional profile is adequate to

### Appointment and removal procedure

guarantee the best performance of the duties corresponding to this position by law, the Articles of Association and Regulations of the Board.

The company has not established any procedure for removal of the Secretary of the Board other than that stipulated in law, although Article 24.3 of the Regulations of the Board submits the Secretary, regardless of whether or not he/she is also a director, to the same obligations as the directors of explaining to all the Board members the reasons for retirement or resignation prior to the end of his/her term of office.

<b>Does the Nomination Committee issue a report on the appointment?</b>	YES
<b>Does the Nomination Committee issue a report on the removal?</b>	YES
<b>Does the full Board approve the appointment?</b>	YES
<b>Does the full Board approve the removal?</b>	YES

Is the Secretary of the Board responsible especially for overseeing compliance with the recommendations on good governance?

YES

### Comments

Article 36.2 of the Regulations of the Board provides that in addition to the duties assigned by law and the Articles of Association, the Secretary of the Board shall, in particular:

a) Ensure that the Board's actions:

- Conform to the text and spirit of the laws and statutory instruments, including those approved by the watchdogs.
- Conform to the company Articles of Association and the Regulations of the General Meeting, the Board and any other regulations the company may have.
- Take account of the recommendations on good governance accepted by the company.

b) Keep all company documents, duly record the proceedings of meetings in the corresponding minute books and certify the resolutions of those corporate bodies of which he/she is Secretary.

c) Channel, generally, the Company's relations with Directors in all matters concerning the functioning of the Board and the Committees he/she is on, following the instructions of the respective Chairman.

d) Implement and facilitate exercise by the Directors of their right to information on the terms stipulated in these Regulations.

B.1.35. Describe any mechanisms established by the company to preserve the independence of the auditor, financial analysts, investment banks and rating agencies.

Both the Articles of Association and the Regulations of the Board vest in the Audit and Compliance Committee the power, among others, to contact the auditors and receive information on any issues that may jeopardise their

independence, and any other issues relating to the auditing of accounts, and receive information from and exchange communications with the auditors in accordance with prevailing auditing standards and legislation.

Article 19 of the Regulations of the Board addresses relations with the auditors, obliging the Board to establish an objective, professional, continuous relationship with the External Auditors of the Company appointed by the General Meeting, guaranteeing their independence and putting at their disposal all the information they may require to perform their duties. It further establishes that the aforesaid relationship with the External Auditors of the Company and the relationship with the Internal Audit Manager shall be conducted through the Audit and Compliance Committee.

Finally, Article 28.2 of the Articles of Association and Article 13.3 of the Regulations of the Board establish the following powers of the Audit and Compliance Committee in this respect:

- Ensure that the systems used for preparing the separate and consolidated Annual Accounts and Directors' Report submitted to the Board to be drawn up in accordance with current legislation give a true and fair view of the equity, financial position and results of the Company, ensuring also that interim accounts are drawn up according to the same accounting principles as the annual accounts, considering the possibility, if appropriate, of requiring the external auditors to make a limited audit thereof.
- Have contacts with the Auditors to receive information on any issues that may jeopardise their independence, and any other issues relating to the auditing of accounts, receiving information from and exchanging communications with the Auditors in accordance with prevailing auditing standards and legislation.

B.1.36. Indicate whether the external auditors have changed during the year. If so, name the incoming and outgoing auditors:

NO

Outgoing auditor	Incoming auditor

Explain any disagreements with the outgoing auditor:

NONE

B.1.37. State whether the firm of auditors does any work for the company and/or its group other than standard audit work and if so, declare the amount of the fees received for such work and the percentage it represents of the total fees invoiced to the company and/or its group.

YES

	Company	Group	Total
<b>Cost of work other than auditing (thousand euro)</b>	196	153	349
<b>Cost of work other than auditing / Total amount invoiced by the auditors (%)</b>	47.700	11.100	19.510

B.1.38. Indicate whether the auditors' report on the annual accounts of the previous year was qualified. If so, state the reasons given by the Chairman of the Audit Committee to explain the content and scope of the qualifications.

NO

B.1.39. State the number of years in succession that the current firm of auditors has been auditing the annual accounts of the company and/or its group. Indicate the ratio of the number of years audited by the current auditors to the total number of years that the annual accounts have been audited:

	Company	Group
Number of years in succession	2	2

	Company	Group
Number of years audited by current auditors / Number of years that the company has been audited (%)	9.1	9.1

B.1.40. Indicate the stakes held by Board members in the capital of undertakings engaged in activities identical, similar or complementary to those comprising the objects of the Company and its Group, as far as the company has been notified. Indicate also the positions held or duties performed in those undertakings:

Name of director	Name of company	% interest	Position or duties
ANTONIO HERNÁNDEZ CALLEJAS	CASARONE AGROINDUSTRIAL, S.A.	3.620	NO POSITION HELD
ANTONIO HERNÁNDEZ CALLEJAS	INSTITUTO HISPANICO DEL ARROZ, S.A.	16.666	NO POSITION HELD
MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	INSTITUTO HISPÁNICO DEL ARROZ, S.A.	16.666	NO POSITION HELD
MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	CASARONE AGROINDUSTRIAL, S.A.	3.020	NO POSITION HELD

Name of director	Name of company	% interest	Position or duties
RUDOLF-AUGUST OETKER	DR. AUGUST OETKER KG	12.500	CHAIRMAN

B.1.41. Indicate, giving details if appropriate, whether a procedure has been established for directors to receive external counselling:

YES

Details of procedure
<p>The directors' right to counselling and information is regulated in Article 30 of the Regulations of the Board, which provides in 30.2 that:</p> <p>a. Any Director may, in the course of any specific duties commissioned to him on an individual level or within the framework of any of the Committees of the Board, request the Chairman to contract, at the Company's expense, such legal advisers, accountants, technical, financial or commercial experts or others as he may consider necessary, in order to assist him in the performance of his duties, provided such counselling is justified to resolve specific problems that are particularly complex and important.</p> <p>b. Considering the circumstances of the specific case, the Chairman may (i) deny or authorise the proposal in a communication sent through the Secretary of the Board, who shall, provided the proposal is authorised, contract the expert in question; and (ii) put the proposal to the Board, which may refuse to finance the counselling if it considers it unnecessary for discharging the duties commissioned, or out of proportion with the importance of the matter, or if it considers that the technical assistance requested could be adequately provided by Company employees.</p>

B.1.42. Indicate, with details if appropriate, whether there is an established procedure for directors to obtain sufficiently in advance any information they may need to prepare the meetings of the governing bodies:

YES

Details of procedure
<p>Article 25.2 a) of the Regulations of the Board establishes the duty of directors to request the necessary information to adequately prepare Board and Committee meetings.</p> <p>Articles 9.1 and 9.3 of the Regulations of the Board in turn establish that (i) directors shall receive information at Board meetings on the most important aspects of corporate management, any foreseeable risk situations for the company and its subsidiaries and the actions proposed by the Top Management in respect thereof; and (ii) whenever possible, any necessary information relating to the items on the agenda shall be sent to the Directors together with the notice of call.</p> <p>The procedure for informing directors is regulated in Article 30.1 of the Regulations of the Board, which provides that whenever so required in the performance of their duties, directors shall have the fullest powers to obtain information on any corporate affairs, obtaining such documents, records, background information or other elements as they may require in this respect. This right to information is extended to subsidiaries.</p>



Details of procedure
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All requests for information shall be addressed to the Chairman and met by the Secretary of the Board, who shall supply the information directly or indicate who is to be contacted within the Company and, in general, establish the necessary measures to fully meet the director's right to information.
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B.1.43. Indicate, with details if appropriate, whether the company has established any rules obliging Directors to report and, if necessary, retire in any situations that could be detrimental to the prestige and reputation of the company:

YES

Explanation
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Article 22 of the Regulations of the Board, which regulates the incompatibilities of directors and establishes their obligations in respect of no competition, conflicts of interest and related-party transactions, also expressly stipulates that if a director is sued or tried for any of the offences contemplated in the Capital Companies Act s. 213, the Board shall examine the case as soon as possible and decide, in consideration of the specific circumstances, whether or not the Director in question should remain in office, including a reasoned account in the Annual Corporate Governance Report.
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B.1.44. Has any member of the Board informed the company that he/she has been sued or brought to trial for any of the offences contemplated in section 124 of the Corporations Act?

NO

Has the Board studied the case? If so, indicate and explain the decision made as to whether or not the director should remain in office.

NO

Decision adopted	Reasoned explanation

## B.2. Committees of the Board

B.2.1. Give details of the different committees and their members:

### EXECUTIVE COMMITTEE

Name	Position	Type
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Name	Position	Type
ANTONIO HERNÁNDEZ CALLEJAS	CHAIRMAN	EXECUTIVE
ALIMENTOS Y ACEITES, S.A.	MEMBER	PROPRIETARY
DEMETRIO CARCELLER ARCE	MEMBER	PROPRIETARY
JOSÉ BARREIRO SEOANE	MEMBER	INDEPENDENT
LEOPOLDO DEL PINO Y CALVO-SOTELO	MEMBER	PROPRIETARY

#### AUDIT COMMITTEE

Name	Position	Type
SOL DAURELLA COMADRÁN	CHAIRMAN	INDEPENDENT
EUGENIO RUIZ-GÁLVEZ PRIEGO	MEMBER	OTHER NON-EXECUTIVE
FERNANDO CASTELLÓ CLEMENTE	MEMBER	INDEPENDENT
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	MEMBER	INDEPENDENT
MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	MEMBER	PROPRIETARY

#### NOMINATION AND REMUNERATION COMMITTEE

Name	Position	Type
FERNANDO CASTELLÓ CLEMENTE	CHAIRMAN	INDEPENDENT
DEMETRIO CARCELLER ARCE	MEMBER	PROPRIETARY
JOSÉ BARREIRO SEOANE	MEMBER	INDEPENDENT
MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	MEMBER	PROPRIETARY
SOL DAURELLA COMADRÁN	MEMBER	INDEPENDENT

#### STRATEGY AND INVESTMENT COMMITTEE

Name	Position	Type
DEMETRIO CARCELLER ARCE	CHAIRMAN	PROPRIETARY
ANTONIO HERNÁNDEZ CALLEJAS	MEMBER	EXECUTIVE
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	MEMBER	PROPRIETARY

Name	Position	Type
JOSÉ NIETO DE LA CIERVA	MEMBER	PROPRIETARY
LEOPOLDO DEL PINO Y CALVO-SOTELO	MEMBER	PROPRIETARY

B.2.2. State whether the Audit Committee has the following duties:

Oversee the preparation and integrity of the company's, and where appropriate the group's, financial reporting, checking compliance with the legal requirements, adequate definition of the consolidated group and correct application of accounting principles	YES
Regularly check the internal control and risk management systems, ensuring that the principal risks are adequately identified, managed and reported	YES
Ensure the independence and efficacy of the internal audit duties; propose the nomination, appointment, re-appointment and removal of the chief audit officer; propose the budget for this department; receive regular information on its activities; and check that the top management heeds the conclusions and recommendations set out in its reports	YES
Establish and supervise a "whistle-blowing" procedure so employees can confidentially or, where appropriate, even anonymously report any irregularities they observe in the company's conduct, particularly in financial and accounting aspects.	YES
Submit to the Board proposals for nomination, appointment, re-appointment and replacement of external auditor, and terms of engagement	YES
Receive regularly from the external auditor information on the audit plan and the outcome of its fulfilment and see that top management heeds its recommendations	YES
Guarantee the independence of the external auditor	YES
In the case of groups, encourage the group auditor to audit the different companies in the group	YES

.2.3. Describe the rules of organisation and procedure and the responsibilities attributed to each Committee

**Name of committee**

STRATEGY AND INVESTMENT COMMITTEE

**Brief description**

The Strategy and Investment Committee has a minimum of three and a maximum of five Directors, including a Chairman, appointed by the Board of Directors in accordance with the company's Articles of Association. The Committee meets whenever called by its Chairman or at the request of two of its members and whenever the Board requests the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties. Notices of call are issued by the Secretary by order of the Chairman. Whenever the Committee so requests its Chairman, its meetings may be attended by any member of the management team of the Company, who may speak but not vote. At the following Board meeting, the Chairman of the Strategy and Investment Committee reports on all resolutions, reports or proposals made by the Committee since the previous Board meeting. Directors have access to the minutes of Committee meetings, through the Secretary of the Board. The Strategy and Investment Committee studies, issues reports and submits proposals for the Board on the following matters: a)

Setting of targets for growth, yield and market share of the company. b) Development plans, new investments, and strategic restructuring processes. c) Coordination with subsidiaries in the matters contemplated a) and b), for the common interest and benefit of the Company and its subsidiaries. In the performance of its duties, it may, where necessary, obtain information and collaboration from the members of the Company management, through the Chairman of the Committee.

**Name of committee**

NOMINATION AND REMUNERATION COMMITTEE

**Brief description**

The Nomination and Remuneration Committee has a minimum of three and a maximum of five non-executive Directors, appointed by the Board of Directors in accordance with the company articles of association. This notwithstanding, the Company Secretary acts as Secretary of the Committee, with voice but no vote, issuing minutes of all resolutions adopted. The Committee appoints one of its members who is an independent director to be Chairman. The Committee meets whenever called by its Chairman or at the request of two of its members and at least once every three months. It also meets whenever the Board requests the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties. Meetings are called by the Secretary of the Committee by order of the Chairman. Whenever the Committee so requests its Chairman, its meetings may be attended by any member of the company management, who may speak but not vote.

At the following Board meeting, the Chairman of the Nomination and Remuneration Committee reports on all resolutions, reports or proposals made by the Committee since the previous Board meeting. Directors have access to the minutes of Committee meetings, through the Secretary of the Board.

The Committee studies, issues reports and submits proposals for the Board on the following matters: a) Definition and revision, where necessary, of the criteria to be followed for the composition and structure of the Board and for selection of candidates to sit on the Board. It informs in advance on the appointment of a director by cooptation or the submission of any proposals to the general meeting regarding the appointment or removal of directors. b) Appointment of the Chairman, Vice-Chairman, Managing Director if any, General Manager and Company Secretary, and assignment of the directors to the Executive Committee, the Audit and Compliance Committee and the Strategy and Investment Committee, and appointment of the members of the Management Committee and such other advisory committees as the Board may create, as well as the appointment and possible removal of senior officers and their contractual clauses regarding severance pay. c) Position of the company on the appointment and removal of members of the governing bodies of its subsidiaries. d) Proposal of directors' emoluments, in accordance with the rules on remuneration established in the Articles of Association and the relations of executive directors with the company. The Committee must also inform in advance on any resolution or proposal of the Board on the remuneration of directors and executives indexed to the share price of the company or its subsidiaries, or consisting of the delivery of shares in the company or its subsidiaries or stock options. e) Preparation, if appropriate, of a proposal on the Statute of Senior Officers. f) Supervision of the Top Management remuneration and incentives policy, being informed and informing also on the criteria followed by the company's subsidiaries. g) Assessment of the principles of the policy regarding the training, promotion and selection of management personnel in the parent company and its subsidiaries, where appropriate. h) Examination and organisation, howsoever may be considered appropriate, of the succession of the Chairman and CEO and, where appropriate, submission of proposals to the Board to ensure that the succession is made in an orderly, well-planned fashion. i) Proposal for the appointment of senior executives of the Company and determination of their terms of contract and remuneration, considering this to include any executives with a rank equal to or higher than Department Manager, being informed and informing also on the appointments and terms of contract of the senior executives of the company's subsidiaries.

**Name of committee**

EXECUTIVE COMMITTEE

**Brief description**

In addition to the Chairman and the Vice-Chairman, other Directors may sit on the Executive Committee, up to a maximum of seven members, with the composition stipulated in the Articles of Association. All the members of this Committee are appointed by the Board, which also specifies what powers are delegated to it, in accordance with the Articles of Association and the Regulations of the Board, requiring votes in favour of at least two-thirds of the Board members to carry the relevant resolutions. Save otherwise resolved by the Board, all the powers of the Board that may be delegated according to law, the Articles of Association and the Regulations are deemed delegated to this Committee on its creation, subject to the limits established from time to time in the recommendations on good corporate governance. The Chairman and Secretary of the Board hold the corresponding positions on the Executive Committee. The Executive Committee generally meets once a month. Its meetings may be attended by such members of management, employees and advisers of the company as the Committee may deem fit. Without prejudice to the autonomy of decision of the Executive Committee in respect of the delegated powers, its resolutions being fully valid and effective without ratification by the Board, whenever circumstances so require, in the opinion of the Chairman or three members of the Committee, the resolutions adopted by the Executive Committee are submitted to the Board for ratification. This is also the case in matters which the Board has delegated the Committee to study, while reserving for itself the ultimate decision, in which case the Executive Committee merely submits the corresponding proposal to the Board. At the request of any of its members, the Directors will be informed at the first Board meeting following any meeting of the Executive Committee of all resolutions adopted by the latter since the previous Board meeting. Directors are granted access to the minutes of Executive Committee meetings whenever they so request of the Secretary of the Board. The Executive Committee has the following powers: a) Adopt resolutions corresponding to the powers delegated to it by the Board of Directors. b) Monitor and supervise the overall and day-to-day management of the Company, ensuring adequate coordination with the subsidiaries in the common interests of the latter and the company. c) Study and propose the guidelines defining the business strategy, supervising its implementation. d) Discuss and report to the Board on any matters related with the following business, regardless of whether or not they have been delegated by the Board: - Individual and consolidated annual budget of the company, specifying the amounts budgeted for each core business. - Monthly monitoring of the economic management, deviations from the budget and proposals for remedial measures, if necessary. - Significant material or financial investments and their corresponding economic justification. - Alliances and agreements with companies considered important for the company, by virtue of their amount or nature. - Financial transactions of economic importance for the company. - Programme of medium-term activities. - Assessment of the achievement of objectives by the different operating units of the company. - Monitoring and assessment of the aspects contemplated in d) in the subsidiaries. e) Adopt resolutions corresponding to the acquisition and disposal of treasury stock by the Company, in accordance with the authorisation granted by the General Meeting. A particular director may be appointed to execute and process decisions to buy or sell own shares, overseeing and, where necessary, authorising, provided it is lawful, any agreements that may be made by subsidiaries for the acquisition and disposal of own shares or shares in the company.

**Name of committee**

AUDIT COMMITTEE

**Brief description**

The Audit and Compliance Committee has a minimum of three and a maximum of five non-executive Directors appointed by the Board in accordance with the company Articles of Association. The Board appoints one of the Committee members who are independent directors Chairman of this Committee, to be replaced every four years and becoming eligible for re-election one year after his retirement as such. The Chairman of the Board may attend the meetings of this Committee, with voice but no vote. In the absence of the Chairman, he is provisionally substituted by the Committee member so appointed by the Board, or otherwise by the oldest member of the Committee. The Company Secretary is Secretary of this Committee, with voice but no vote, issuing minutes of the resolutions adopted. The Committee meets as and when called by its Chairman, or at the request of two of its members and at least once every three months. It also meets whenever the Board requests the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties. The notice of call is issued by the Secretary of the

Committee by order of the Chairman. Apart from the members, any company executive may be called to attend a committee meeting. Committee meetings are held at the registered office of the company, or wherever else the Chairman may indicate, specifying the venue in the notice of call, and are quorate when attended, in person or by proxy, by the majority of its members. Resolutions are adopted with the favourable votes of the majority of the members attending the meeting in question. In the event of a tie, the chairman or acting chairman has the casting vote. At the following Board meeting, the Chairman of the Audit and Compliance Committee reports on all resolutions, reports or proposals made by the Committee since the previous Board meeting. Directors have access to the minutes of Committee meetings, through the Secretary of the Board. The Audit and Compliance Committee has the following powers: a) Be informed of the procedures and systems used for drawing up the financial information of the Company, supervising the services of the Internal Audit Department. b) Receive the information sent regularly to the Stock Exchange Councils, issue prospectuses and any public financial information offered by the Company and, in general, all information prepared for distribution among shareholders, ensuring the existence of internal control systems that guarantee the transparency and truth of the information. c) Ensure that the systems used for preparing the separate and consolidated Annual Accounts and Directors' Report submitted to the Board to be drawn up in accordance with current legislation give a true and fair view of the equity, financial position and results of the Company, making sure that interim accounts are drawn up according to the same accounting principles as the annual accounts, considering the possibility of requesting the external auditors to make a limited audit thereof. In this respect, it also sees that the internal control systems are adequate and effective in respect of the accounting practices and principles used for drawing up the annual accounts of the company, supervising the policies and procedures established for ensuring due compliance with applicable legal provisions and internal regulations. The Committee shall, through its Chairman, obtain information and collaboration from both the Internal Audit Manager and the External Auditors to perform these duties. Furthermore, whenever the Committee so requests its Chairman, its meetings may be attended by any member of the company management, who may speak but not vote. d) Have contacts with the Auditors to receive information on any issues that may jeopardise their independence, and any other issues relating to the auditing of accounts, receiving information from and exchanging communications with the External Auditors in accordance with prevailing auditing standards and legislation. e) Be informed of the decisions adopted by the top management according to recommendations made by the External Auditors in connection with the audit. f) Inform the Board before the latter body adopts any decision regarding related-party transactions submitted for authorisation. g) Establish an internal "whistle-blowing" procedure so employees can confidentially report any potentially important irregularities. h) Supervise compliance with the internal codes of conduct and the rules on good corporate governance.

**Name of committee**

MANAGEMENT COMMITTEE

**Brief description**

The Board appoints a Management Committee, consisting of the persons responsible for the principal management units and business areas of the Company and its subsidiaries and the executive directors proposed by the Nomination and Remuneration Committee, chaired by the Chairman of the Board or the Managing Director, as the case may be. The Company Secretary is Secretary of this Committee. The Management Committee prepares and follows up decisions within the management of the Company, regarding strategy, budget, finance and personnel, draws up business plans and controls their implementation, defining the Company's position in respect of its subsidiaries on these matters. The Committee meets whenever called by its Chairman and in any case whenever the Board or Committees of the Board request the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties. Committee meetings are called by the Secretary, by order of the Chairman.

B.2.4. Indicate, where appropriate, the advisory or counselling powers and delegations, if any, of each committee:

**Name of committee**

STRATEGY AND INVESTMENT COMMITTEE

**Brief description**

THOSE CONTEMPLATED IN ARTICLE 15 OF THE REGULATIONS OF THE BOARD. SEE SECTION B.2.3 OF THIS REPORT.

**Name of committee**

NOMINATION AND REMUNERATION COMMITTEE

**Brief description**

THOSE CONTEMPLATED IN ARTICLE 14 OF THE REGULATIONS OF THE BOARD. SEE SECTION B.2.3 OF THIS REPORT.

**Name of committee**

EXECUTIVE COMMITTEE

**Brief description**

THOSE CONTEMPLATED IN ARTICLE 12 OF THE REGULATIONS OF THE BOARD. SEE SECTION B.2.3 OF THIS REPORT.

**Name of committee**

AUDIT COMMITTEE

**Brief description**

THOSE CONTEMPLATED IN ARTICLE 13 OF THE REGULATIONS OF THE BOARD. SEE SECTION B.2.3 OF THIS REPORT.

B.2.5. Indicate the existence, if appropriate, of regulations of the board committees, where they are available for consultation and any modifications made during the year. State whether an annual report has been issued voluntarily on the activities of each committee.

**Name of committee**

STRATEGY AND INVESTMENT COMMITTEE

**Brief description**

There is no separate text regulating the Strategy and Investment Committee, which is sufficiently regulated in the Regulations of the Board of Directors (Article 15).

The Regulations of the Board are available for consultation on the company's web site ([www.ebrofoods.es](http://www.ebrofoods.es)) and on the web site of the National Securities Market Commission ([www.cnmv.es](http://www.cnmv.es)).

**Name of committee**

NOMINATION AND REMUNERATION COMMITTEE

**Brief description**

There is no separate text regulating the Nomination and Remuneration Committee, which is sufficiently regulated in the Regulations of the Board of Directors (Article 14).

**Name of committee**

EXECUTIVE COMMITTEE

**Brief description**

There is no separate text regulating the Executive Committee, which is sufficiently regulated in the Regulations of the Board of Directors (Article 12).

**Name of committee**

AUDIT COMMITTEE

**Brief description**

There is no separate text regulating the Audit Committee, which is sufficiently regulated in the Regulations of the Board of Directors (Article 13).

**Name of committee**

MANAGEMENT COMMITTEE

**Brief description**

There is no separate text regulating the Management Committee, which is sufficiently regulated in the Regulations of the Board of Directors (Article 16).

B.2.6. Does the composition of the Executive Committee reflect the participation on the Board of the different types of Director?

YES

**C. RELATED-PARTY TRANSACTIONS**

C.1. Does the full Board reserve the right to approve, subject to a favourable report by the Audit and Compliance Committee or such other committee it may have commissioned, any transactions between the company and its directors, significant or represented shareholders or parties related thereto?

YES

C.2. List any significant transactions involving a transfer of resources or obligations between the company and/or companies in its group and controlling shareholders of the company:

Name of significant shareholder	Name of company or group company	Relationship	Type of transaction	Amount (thousand euro)
SOCIEDAD ANÓNIMA DAMM	HERBA RICEMILLS, S.L.U.	CONTRACTUAL	Sale of goods (finished or otherwise)	2,593

C.3. List any significant transactions involving a transfer of resources or obligations between the company and/or companies in its group and the directors or executives of the company:

Name of director or executive	Name of company or group company	Nature of the transaction	Type of transaction	Amount (thousand euro)
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Name of director or executive	Name of company or group company	Nature of the transaction	Type of transaction	Amount (thousand euro)
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	BOOST NUTRITION, C.V.	CONTRACTUAL	Sale of goods (finished or otherwise)	977
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	BOOST NUTRITION, C.V.	CONTRACTUAL	Purchase of goods (finished or otherwise)	979
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	EURIZA GMBH	CONTRACTUAL	Purchase of goods (finished or otherwise)	63
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	EURIZA GMBH	CONTRACTUAL	Sale of goods (finished or otherwise)	63
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HERBA FOODS, S.L.U.	CONTRACTUAL	Receipt of services	25
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HERBA RICEMILLS, S.L.U.	CONTRACTUAL	Sale of tangibles, intangibles or other assets	4
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HERBA RICEMILLS, S.L.U.	CONTRACTUAL	Sale of goods (finished or otherwise)	524
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HERBA RICEMILLS, S.L.U.	CONTRACTUAL	Purchase of goods (finished or otherwise)	3,889
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HERBA RICEMILLS, S.L.U.	CONTRACTUAL	Leases	102
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	S&B HERBA FOODS LIMITED	CONTRACTUAL	Purchase of goods (finished or otherwise)	121
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	S&B HERBA FOODS LIMITED	CONTRACTUAL	Sale of goods (finished or otherwise)	121

C.4. List any significant transactions with other companies in the group that are not eliminated in the consolidated financial statements and which do not, by virtue of their object or terms, correspond to the normal business of the Company:

C.5. State whether any of the board members have entered into any conflicts of interest pursuant to s. 127 ter of the Corporations Act during the period.

YES

**Name of director**

ANTONIO HERNÁNDEZ CALLEJAS

**Description of the conflict of interest**

See section B.1.40 of this report concerning his interest in Instituto Hispánico del Arroz, S.A. and Casarone Agroindustrial, S.A. He also holds a 16.666% stake in Hispafoods Invest, S.L.

**Name of director**

INSTITUTO HISPÁNICO DEL ARROZ, S.A.

**Description of the conflict of interest**

See section C.3 of this report concerning the related party transactions made with companies in the Ebro Foods Group.

**Name of director**

MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ

**Description of the conflict of interest**

See section B.1.40 of this report concerning her interest in Instituto Hispánico del Arroz, S.A. and Casarone Agroindustrial, S.A. She also holds a 16.666% stake in Hispafoods Invest, S.L.

C.6. Explain the mechanisms established to detect, define and resolve possible conflicts of interest between the company and/or its group, and its directors, executives or controlling shareholders.

The Audit and Compliance Committee ensures that the internal audit procedures and internal control systems are adequate and informs the Board on the related-party transactions submitted for its consideration and control of any possible conflicts of interest.

Under Article 28 of the Articles of Association, the Audit Committee has, among others, the power to ensure that transactions between the company and its subsidiaries or between these companies and directors and controlling shareholders are made on arm's length terms and respecting the principle of equal treatment, thus controlling any conflicts of interest that may arise in these related-party transactions.

Under Article 6 of the Regulations of the Board, the Board is competent, once a favourable report has been issued by the Audit and Compliance Committee, to authorise any related-party transactions between the company or group companies and directors, controlling shareholders or shareholders represented on the board. This authorisation is not necessary when the transactions meet all of the following three conditions:

- If the transactions are made under contracts with standard terms and conditions applied globally to many clients.
- If the transactions are made at prices or rates established generally by the supplier of the good or service in question.
- If the amount of the transaction is no more than 1% of the annual income of the company.

Article 22 of the Regulations of the Board establishes the following prohibitions and disqualifications, among others, for directors:

- Holding positions or duties of representation, management, counselling or rendering of services in rival companies or the holding or performance of such positions, duties or services in companies having a controlling stake in rival companies.

- Attendance and participation in the discussions of any of the corporate bodies concerning business in which the director personally, or a member of his/her family has an interest or a company in which the director has an executive position or a significant shareholding.

- Direct or indirect participation in related-party transactions with the company or other group companies without previously informing the Board and seeking its approval, except in the cases contemplated in Article 6.5 of these Regulations.

The article also bars from the board anyone who, personally or through an intermediary, holds office in or is a representative of or is otherwise related to companies that are habitual clients or suppliers of goods and services of the company, whenever this condition may give rise to a conflict or clash of interest with the Company or its subsidiaries; in such cases the Chairman shall be informed of the situation and request a report from the Audit and Compliance Committee. Financial institutions providing financial services for the company are excluded from the foregoing. Nor may anyone related through family, professional or commercial ties to executive directors or other senior officers of the Company be members of the Board unless, after informing the Chairman of this situation, a report is issued by the Audit and Compliance Committee excluding the specific case from this prohibition.

C.7. Is more than one company of the Group listed in Spain?

YES

Name the listed subsidiaries:

Listed subsidiary
BIOSEARCH, S.A.

State whether the respective areas of activity and possible business relations between them have been publicly defined, and those of the listed subsidiary with the other group companies:

YES

Define any business relations between the parent company and the listed subsidiary, and between the latter and other group companies
<p>Details are set out below of the significant transactions involving a transfer of resources or obligations made during 2010 between the Biosearch Group and the following companies wholly-owned by its controlling shareholder, Ebro Foods, S.A.: Puleva Food, S.L.U., Herba Ricemills, S.L.U., Boost Nutrition C.V., Riviana Foods Inc., SB Herba Foods, Ltd. and Dosbio.</p> <p>When preparing this information, the following variations in the Ebro Foods Group were taken into account:</p> <p>- On 1 July 2010 Biosearch, S.A. sold its interest in Española de ID, S.A. (sole subsidiary, with which it formed the Biosearch Group). Therefore, the related-party transactions of this subsidiary with the Ebro Foods Group, reported below, refer to the first six months of 2010.</p>

- On 2 September 2010 Ebro Foods, S.A. sold Puleva Food, S.L.U. to the Lactalis Group. The related party transactions between Biosearch, S.A. and Puleva Foods, S.L.U. described below were those made within the Group during the first 8 months of 2010.

There is a theoretical possibility of a conflict of interest deriving from the fact that the shareholders of Biosearch, S.A., which is also a listed company, do not entirely coincide with those of its parent company Ebro Foods, S.A. It is, therefore, essential that the terms of contract in all business relations between the different companies of the Ebro Foods group and the Biosearch Group are made strictly on arm's length terms, to avoid any detriment to the minority shareholders of either company, which are not represented on the boards of the contracting companies and, consequently, do not participate in the decision-making process.

During 2010, Biosearch, S.A. and Española de I+D, S.A. continued working with the companies in the Ebro Foods Group named above under different contracts signed with them:

#### 1. Relations between Puleva Food S.L.U. and Biosearch, S.A.

Biosearch S.A. provided R+D+I services for Puleva Food S.L.U. in 2010 under a number of project-specific contracts signed between the two companies, under the master agreement signed in 2001 for these counselling services. The different projects come within the following areas:

- Nutritional and clinical evaluation
- Development of new packaging technologies
- Development of new products
- Food safety and quality guarantee
- Product reformulation and authorisation of ingredients

The net turnover on services rendered during 2010 was 1,595 thousand euro.

In addition, during 2010 Biosearch sold Omega3 (EPA and DHA) and isoflavons to Puleva Food, S.L.U. for a sum of 1,866 thousand euro.

#### 2. Relations between Herba Ricemills, S.L.U. and Biosearch, S.A.

Under the contract of sale signed on 1 July 2010, Biosearch, S.A. sold to Herba Ricemills, S.L.U. (hereinafter Herba) 60% of the capital of Española de I+D, S.A. The total purchase price was 397 thousand euro.

During 2010, Biosearch, S.A. sold product to Herba for a value of 166 thousand euro.

Biosearch, S.A. also provided quality analysis services to Herba during 2010 for the value of 18 thousand euro, R+D services for 44 thousand euro and invoiced a further 4 thousand euro for other items.

#### 3. Relations between Herba Ricemills, S.L.U. and Española de I+D, S.A. (subsidiary of Biosearch, S.A.)

During 2010 Española de I+D, S.A. rendered services to Herba Ricemills S.L.U., up to the date of its purchase from Biosearch, S.A., for a value of 361 thousand euro.

These services were provided under the Consortium Agreement for the R+D+I Project (Cereals Project) signed on 22 February 2007 and presented to the Andalusian Technological Corporation and the Andalusian Innovation and Development Agency, according to which Herba Ricemills is the project leader and Española de I+D, S.A. provides work, resources and research and development services to the Project, according to the scientific and technical specifications and manpower requirements stipulated in the agreement, encompassed within the activity comprising its objects.

#### 4. Relations between Ebro Foods, S.A. and Biosearch, S.A.

Within the framework of the CMO sugar reform, Azucarera Ebro, S.L., then a subsidiary of the Ebro Group, presented its Northern Region Restructuring Plan at the end of 2007, undertaking to maintain a certain number of jobs at its plants in Castile-Leon, which derived in an undertaking by the Ebro Group to maintain 15 jobs in Peñafiel.

In February 2009, the Boards of Ebro Foods, S.A. and Biosearch, S.A. authorised an investment project to set up a plant to produce bioactive ingredients in Peñafiel. Ebro undertook to contribute the required land for Biosearch to install the necessary equipment for this project, which was to employ the number of persons that the Ebro Group had undertaken to maintain in Peñafiel.

On 1 January 2010, that group of 15 employees was effectively transferred to Biosearch, although 10 of those 15 employees subsequently left the company within a redundancy scheme, so there are currently 5 employees in active employment at the Peñafiel plant.

Under an agreement signed on 15 July 2010, Ebro Foods paid Biosearch a sum of 2,399 thousand euro to compensate the transfer of employees effective as of 1 January 2010.

Biosearch, S.A. received services from the holding Ebro Foods, S.A. during 2010 for a value of 131 thousand euro, in IT services and repercussion of the cost of insurance premiums payable on policies taken out for the Ebro Foods Group. Biosearch has also acquired intangibles from Ebro Foods with a value of 56 thousand euro.

#### 5. Other relations

During 2010, Biosearch, S.A. invoiced 8 thousand euro to Boost Nutrition C.V. for quality analysis services. It also provided different services for Riviana Foods Inc. and S&B Herba Foods Ltd valued at ..... thousand euro, respectively.

Up to the exclusion of Puleva Foods, S.L.U. from the consolidated Ebro Foods Group, there were current account agreements between Puleva Foods, S.L.U. and Ebro Foods, S.A. earning interest on arm's length terms on the balances deriving from any assignment or loan of cash between these companies and Biosearch, S.A. Biosearch, S.A. paid Puleva Food, S.L.U. financial expenses of 78 thousand euro for this interest in 2010.

Puleva Food, S.L.U. supplies certain goods and services to Biosearch, S.A., such as lease of the commercial offices and industrial buildings for the normal performance of its business, certain industrial supplies, counselling and administration services, etc. The total cost for Biosearch, S.A. of all these items during 2010 was 351 thousand euro.

Indicate the mechanisms in place for solving possible conflicts of interest between the listed company and other companies in the group:

#### **Mechanisms for solving possible conflicts of interest**

In its articles of association and regulations the company has commissioned the Audit and Compliance Committee, among other duties, to control any conflicts of interest that may arise.

The Articles of Association authorise the Audit and Compliance Committee to ensure that all transactions between the company and its subsidiaries, or between those companies and directors and controlling shareholders, are made on arm's length terms and respect the principle of equal treatment, thus controlling any conflict of interest that may arise in related-party transactions.

The Regulations of the Board establish that the Audit and Compliance Committee should report to the Board on any related-party transactions submitted for its consideration and on the control of any possible conflicts of interest.

See section C.6 of this Report in this regard.

## D. RISK CONTROL

D.1. General description of the risk policy of the company and/or its group, including details and assessment of the risks covered by the system, together with proof that those systems adapt to the profile of each type of risk.

Guided by the conceptual framework of the “Committee of Sponsoring Organizations of the Treadway Commission” (COSO) report on internal control, the Ebro Foods Group has established systems for risk identification, assessment, management and information.

The ultimate purpose of these risk control systems is to defend the interests of our shareholders, customers, employees and social environment. At the said time, they provide a sustained guarantee of the corporate reputation and financial strength of the Ebro Foods Group.

These risk control systems cover all the activities performed by the Group, consisting essentially of the agro-industrial rice, pasta and dairy businesses. The risks covered by these systems affect food quality, environmental, business, credit (or counterparty), regulatory, social and political, financial (exposure to exchange rate fluctuations) occupational and technological issues.

The Group is a pioneer within its sector in the development and furtherance of R+D, environmental and food quality, and internal audit.

The Group has environmental and food quality, commercial or counterparty risk, occupational hazard prevention and research & development committees, which are responsible for preventing and mitigating the risks.

In addition, all investment projects incorporate a risk analysis, to enable their economic and strategic assessment prior to decision-making. Decisions are adopted by the corresponding body according to the limits established, the largest projects requiring approval by the Board.

Finally, the Group is also exposed to another two types of risk: regulatory risk, subject to the guidelines established in the Common Agricultural Policy (CAP) and country or market risk. These risks have been reduced over recent years, through a firm policy of business and geographical diversification, increasing our presence in Europe, America (United States), Asia (Thailand and India) and Africa (Egypt and Morocco).

Within the same spirit, the first actions were taken in 2010 with a view to clinching the deal to buy up a large rice group in Australia.

D.2. Have any of the different types of risk (operating, technological, financial, legal, reputational, tax...) affecting the company and/or its group materialised during the year?

YES

If so, indicate the underlying circumstances and whether the control systems worked.

**Risk materialised during the year**

Normal risks in the performance of the Ebro Foods Group activities.

**Underlying circumstances**

Normal course of Group business.

**Functioning of the control systems**

The prevention and control systems of those risks worked properly.

D.3. Is there a Committee or other governing body responsible for establishing and supervising the control systems?

YES

If so, describe its duties:

**Name of committee or body**

Audit and Compliance Committee

**Description of duties**

Analyse and assess the principal risks to which the Group may be exposed and the systems established for their management and control.

D.4. Identification and description of processes for compliance with the different regulations affecting the company and/or its group.

The Group has a set of internal rules and procedures for its different activities, which are fully in keeping with the applicable legal provisions.

The reports of the Group's Internal Audit Department are prepared by experts independent from the business management and the department reports to the management bodies of the Group subsidiaries and the Audit and Compliance Committee of the parent company, Ebro Foods, S.A., on its conclusions and recommendations so that any remedies required may be taken and any necessary improvements implemented.

The board has also published a code of conduct and a corporate governance policy, by virtue of which we have been ahead of the legal requirements established from time to time.

## E. GENERAL MEETING

E.1. Indicate the quorums for General Meetings established in the Articles of Association and the differences, if any, in respect of the minimums stipulated in the Corporations Act.

NO

	<b>% quorum differing from that stipulated in the Corporations Act s. 102 for ordinary resolutions</b>	<b>% quorum differing from that stipulated in the Corporations Act s. 103 for special resolutions</b>
<b>Quorum required on 1st call</b>	0	0
<b>Quorum required on 2nd call</b>	0	0

E.2. Are there any differences in respect of the system stipulated in the Corporations Act for adopting corporate resolutions? If so, explain.

NO

What differences exist in respect of the system stipulated in the Corporations Act?

E.3. Describe any shareholders' rights in respect of General Meetings differing from those established in the Corporations Act.

The Regulations of the General Meeting contain and develop, in the articles indicated below, all the shareholders' rights in respect of general meetings stipulated in law, thus complying with the rules and recommendations for good governance:

- Shareholders' right to information is exhaustively regulated in Articles 5 and 6.
- Shareholders' right to attend and be represented by proxies is regulated in Article 7.
- Shareholders' right to participate is set out in Articles 11 and 12.
- Shareholders' voting right is regulated in Article 14.
- Finally, Article 18 establishes the shareholders' right to be informed of the resolutions adopted by the general meeting by the legal means of publication or through the company's web site, where the full text of such resolutions must be published.



Moreover, any shareholder may at any time obtain a certificate of the resolutions adopted and the minutes of the meeting.

**E.4. Describe the measures adopted, if any, to encourage the participation of shareholders at General Meetings.**

- Detailed, developed regulation of rights to information, attendance, proxy and voting contained in the Regulations of the General Meeting, as indicated above.
- Detailed notice of call to general meetings, clearly stating all the shareholders' rights and how they may be exercised.
- Publication of the corresponding notice in a specialist daily economic newspaper.
- Holding of general meetings where shareholders can easily attend, in the best and most comfortable conditions possible.
- Assistance for shareholders through the Shareholders' Office, where the team responsible for Investor Relations and other qualified staff are available to provide any assistance required by shareholders.
- Delivery of gifts to shareholders to encourage them to go to general meetings.

**E.5. Are General Meetings presided by the Chairman of the Board and what measures, if any, are taken to guarantee the independence and proper functioning of the General Meeting?**

YES

<b>Details of measures</b>
<p>The Regulations of the General Meeting regulate a number of measures regarding the organisation and procedure of the general meeting to guarantee its independence and proper functioning.</p> <p>Article 9 of said Regulations establishes the following measures in this regard:</p> <ul style="list-style-type: none"><li>- General meetings shall be presided by the Chairman of the Board, or, in his absence, by the Vice-Chairman, or otherwise by a director elected in each case by the shareholders attending the meeting.</li><li>- The Chairman shall be assisted by a Secretary, who shall be the Secretary of the Board, or the Vice-Secretary, if any, or otherwise such person as may be appointed at the general meeting.</li><li>- Should the Chairman or Secretary of the general meeting have to leave during the meeting, his/their duties shall be taken over by the corresponding person or persons as above and the meeting shall continue.</li><li>- The directors attending the general meeting shall form the Presiding Board.</li></ul> <p>Article 10 of the Regulations establishes the procedure for drawing up the attendance list, which may be drawn up in a file or included on any kind of data carrier. Moreover, should the Chairman deem fit, he may appoint two or more shareholders to act as scrutineers, assisting the presiding board in drawing up the attendance list and, if necessary, in the counting of votes, informing the general meeting thereof once it has been declared quorate.</p>

The powers of the Chairman of the General Meeting are described in Article 13 of the Regulations:

- Direct the debate, ensuring that it remains within the confines of the agenda, closing the debate when he considers the business sufficiently debated.
- Organise the shareholders' contributions as established in Article 12 of the Regulations of the General Meeting.
- Decide, where appropriate, on any extension of the time initially granted to shareholders to speak.
- Moderate the shareholders' contributions, requesting them if necessary to keep to the agenda and observe the appropriate rules of correct conduct when speaking.
- Call the shareholders to order when their contributions are clearly made to filibuster or upset the normal course of the general meeting.
- Withdraw the floor at the end of the time assigned for each contribution or when, despite the admonitions made in pursuance of this article, the shareholder persists in his conduct, taking such measures as may be necessary to ensure that the general meeting resumes its normal course.
- Announce voting results.
- Resolve any issues that may arise during the general meeting regarding the rules established in these Regulations.

Finally, as regards the conclusion and minutes of general meetings, Article 15 of the Regulations establishes that after voting on the proposed resolutions, the general meeting shall conclude and the Chairman shall close the session. The minutes of the general meeting may be approved at the end of the meeting or within fifteen days thereafter by the Chairman of the General Meeting and two scrutineers, one representing the majority and the other representing the minority, who shall be appointed at the proposal of the Chairman after declaring the general meeting quorate. If the presence of a notary has been required to issue a certificate of the general meeting, the minutes set out in the certificate shall be notarial and, as such, shall not require approval by those attending or by scrutineers.

#### E.6. Indicate any modifications made during the year to the Regulations of the General Meeting.

At the Annual General Meeting held on 1 June 2010, shareholders agreed by majority vote to alter the Regulations of the General Meeting and approve the recast text.

This alteration was made to adjust the Articles of Association to several changes in law introduced by Act 3/2009 of 3 April on structural modifications of corporations and Act 16/2007 of 4 July reforming and adapting commercial law on accounting, making it necessary to adapt the Regulations of the General Meeting accordingly.

The articles of the Regulations of the General Meeting that were altered are set out below:

- Article 2. Competence of the General Meeting

Only paragraph e) was altered, giving it the following text:

'Resolve on the increase or reduction of capital and any other alteration of the Articles of Association, the issuance of debentures, elimination or restriction of the right of pre-emption over new shares, the conversion, merger or division of the company, the global transfer of assets and liabilities or moving the registered office to

another country and authorise or delegate the Board to adopt and execute resolutions within the times stipulated in law.’

- Article 6. Right to information as from calling of the general meeting

Only point 1 was altered, giving it the following text:

‘Once the Annual General Meeting has been called, any shareholder shall be entitled to obtain from the registered office of the Company, immediately and free of charge, copies of all the documents that are to be laid before it for approval, together with the directors’ report and auditors’ report. The Annual Corporate Governance Report shall also be made available to shareholders for and at the Annual General Meeting.’

- Article 8. Quorum

The larger quorums previously required were eliminated, establishing those stipulated in law.

This article was reworded as follows:

‘1. General Meetings shall be quorate on first call when attended, in person or by proxy, by shareholders representing at least twenty-five per cent of the subscribed voting capital. On second call, general meetings shall be quorate regardless of the capital attending.

2. In order to validly adopt resolutions an increase or reduction of the capital or any other alteration of the Articles of Association, the issuance of debentures, elimination or restriction of the right of pre-emption over new shares, the conversion, merger or division of the company, the global transfer of assets and liabilities or moving the registered office to another country, the meeting must be attended on first call, in person or by proxy, by shareholders representing at least fifty per cent of the subscribed voting capital. On second call the attendance of twenty-five per cent of that capital shall suffice.

3. The quorum shall not be affected by any shareholders who leave during the General Meeting.

4. If the attendance of a certain percentage of the capital is required by law or the Articles of Association in order to validly adopt a resolution on one or several items on the agenda for the General Meeting and that percentage is not reached, the General Meeting shall discuss only those matters for which there is sufficient quorum.

5. The provisions of this article are without prejudice to any higher quorums or voting majorities that may be established in law.’

- Article 14. Voting and resolutions

Point 1 was altered as a result of the elimination of the larger quorums.

This point was reworded as follows:

‘1. Resolutions shall be carried with the votes in favour of the majority of voting capital present and represented at the general meeting, without prejudice to the quorums and voting majorities established for special resolutions in law.

Resolutions shall be adopted in accordance with the procedure and rules established below.

2. After due debate, the proposed resolutions shall be put to the vote.

The voting of resolutions shall follow the agenda set out in the notice of call, and if any motions have been submitted on issues that the general meeting is authorised to resolve without including them on the agenda, they shall be put to the vote after the proposals corresponding to the items on the agenda.

3. Once they have been read out by the Secretary, which formality may be omitted provided no shareholder objects, the general meeting shall vote first on the resolutions, if any, proposed by the Board and, otherwise, on any proposed by others, following the order established for this purpose by the Chairman.

Once a resolution has been approved, all other motions on the same issue that are incompatible with that resolution shall automatically be struck off the voting list.

4. Resolutions shall be adopted with the following voting system:

4.1. When voting on business included on the agenda, the votes corresponding to all shares present or represented at the general meeting shall be deemed to vote for the proposal in question, except a) the votes corresponding to shares whose holders or representatives notify the scrutineers and other assistants of the Presiding Board or the Notary, as the case may be, in a written communication or personal declaration, of their vote against, blank vote or abstention, and b) the votes corresponding to shares whose holders have voted against, cast a blank vote or abstained through the distance voting means contemplated in Article 13 bis of these Regulations.

4.2. When voting on business not included on the agenda, the votes corresponding to all shares present or represented at the general meeting shall be deemed to vote against the proposal in question, except a) the votes corresponding to shares whose holders or representatives notify the scrutineers and other assistants of the Presiding Board or the Notary, as the case may be, in a written communication or personal declaration, of their vote for, blank vote or abstention, and b) the votes corresponding to shareholders who have participated in the General Meeting through distance voting means.

4.3. For the purposes contemplated in 4.1 and 4.2 above, the shares attending the meeting shall be all those included on the attendance list, deducting those whose holders or representatives leave the meeting before the vote and who have declared this circumstance to the notary. For voting on decisions contemplated in s. 114.1 Securities Market Act, the shares corresponding to directors who may not vote pursuant to that provision shall not be considered shares attending.

5. The above notwithstanding, the Presiding Board may, if so required by prevailing circumstances, establish any other system of voting that allows confirmation of the necessary votes in favour for the adoption of resolutions, recording the voting results in the minutes.

6. Regardless of the system used to count the votes, the Presiding Board shall check that sufficient votes in favour have been cast to meet the majority stipulated in each case, enabling the Chairman to declare the corresponding resolution carried.

E.7. Give details of attendance of General Meetings held during the year:

Details of Attendance					
Date General Meeting	% in person	% by proxy	% distance voting		Total
			Electronic vote	Others	
01/06/2010	0.320	67.280	0.000	0.000	67.600

E.8. Give a brief account of the resolutions adopted at the general meetings held during the year and percentage of votes with which each resolution was passed.

All the resolutions proposed by the Board at the Annual General Meeting of Shareholders held on 29 April 2010 were approved on the terms and with the results indicated below:

#### ITEM ONE ON THE AGENDA

- To approve the annual accounts of EBRO FOODS, S.A. and its consolidated group for the year ended 31 December 2009.
- To approve the directors' reports on the year ended 31 December 2009 of both Ebro Foods, S.A. and its consolidated group, including the report issued under section 116 bis of the Securities Market Act and the Annual Corporate Governance Report, as drawn up by the Board of Directors.

These resolutions were approved by a majority of 99.93% of the voting capital present and represented.

#### ITEM TWO ON THE AGENDA

- To approve the management and all other actions by the Ebro Foods board during the year ended 31 December 2009.

This resolution was approved by a majority of 99.91% of the voting capital present and represented.

#### ITEM THREE ON THE AGENDA

- To approve the proposal for application of the profit for the year of Ebro Foods, S.A. as at 31 December 2009, according to the following details taken from the notes to the separate accounts, in thousand euro:

Base of application: 724,513

Unappropriated Reserves: 560,368

Balance of profit and loss account (profit): 164,145

- To approve the distribution of an ordinary dividend payable in cash against unappropriated reserves in a sum of 0.40 euro per share outstanding, in four quarterly payments of 0.10 euro each, on 5 April, 1 July, 1 October and 23 December 2010. Accordingly, to ratify the first of these four payments, made on 5 April. This dividend includes the proportional allocation that would correspond to the shares held as treasury stock.

These resolutions were approved by a majority of 99.93% of the voting capital present and represented.

#### ITEM FOUR ON THE AGENDA

- To ratify the sale of the dairy business, as arranged by the Board of Directors of Ebro Puleva, S.A., to Grupo Lactalis Iberia, S.A. for an estimated price of 630 million euro, without prejudice to the final adjustments of cash, debt and working capital at the date of concluding the transaction.

This resolution was approved by a majority of 99.87% of the voting capital present and represented.

#### ITEM FIVE ON THE AGENDA

- To approve an extraordinary dividend, payable in cash against unappropriated reserves, of 0.60 euro per share outstanding (in addition to the ordinary dividend), payable in 4 payments of 0.15 euro each. The first two payments will be made during 2010, on 1 October and 23 December, coinciding with the dates of the last two

ordinary dividend payments; and the following two payments will be made on 4 April and 4 July 2011. This dividend includes the proportional allocation that would correspond to the shares held as treasury stock.

The effectiveness of this resolution and, therefore, payment of the extraordinary dividend, is subject to fulfilment of the condition precedent that the sale of the dairy business ratified by the General Meeting under item four on the agenda is completed.

To further authorise the Board to postpone the dates initially scheduled for the four payments if necessary, owing to a delay in completion of the sale.

This resolution was approved by a majority of 99.88% of the voting capital present and represented.

#### ITEM SIX ON THE AGENDA

- To authorise the Board to buy back own shares and authorise subsidiaries to acquire shares in the parent company, by purchase or under any other title for a consideration, on one or several occasions, subject to the conditions established in law.

- The par value of the shares acquired directly or indirectly, when added to those already held by the company or its subsidiaries, shall not exceed 10% of the subscribed capital.

- As a result of the acquisition, including any shares which the company, or the person acting in its own name but for the company's account, has purchased earlier and holds as treasury stock, the equity does not fall below the amount of the capital plus legal reserves or any undistributable reserves established in the bylaws. For this purpose, equity shall be the amount recorded as such according to the principles applied when drawing up the annual accounts, less the amount of profit attributed directly to equity, plus the amount of uncalled subscribed capital and the par value and share premiums of subscribed capital recorded under liabilities.

- The shares acquired shall be fully paid up.

- The minimum and maximum price or consideration for the acquisition shall be, respectively, equivalent to the par value of the own shares purchased and to their price on an official secondary market at the time of purchase.

By virtue of this authorisation, the Board may, by direct resolution or by delegation to the Executive Committee or to such person or persons as the Board may authorise for this purpose, buy back own shares to hold them as treasury stock, dispose of them or, as the case may be, propose their redemption to the General Meeting, within the limits established in law and in fulfilment of the conditions stipulated in this resolution. This authorisation is also extended to the possibility of acquiring own shares to be delivered directly to employees or executives of the company or its group, on one or several occasions, upon exercise of any stock options they may hold, pursuant to section 75.1.1, paragraph 3 of the Corporations Act.

The authorisation contemplated in this resolution is granted for no more than five years from the date of this Annual General Meeting and covers all treasury stock transactions made on the terms stipulated herein, without having to be reiterated for each purchase or acquisition, and all transfers to or earmarking of reserves made in pursuance of the applicable laws.

When any acquisition is made by virtue of this authorisation, the directors will especially ensure that the conditions established at this general meeting and the requirements stipulated in the applicable laws are met.

The authorisation granted to the Board to buy back own shares approved at the Annual General Meeting held on 29 April 2009, was rendered null and void, without prejudice to the full execution of any resolutions adopted prior to this General Meeting.

- To reduce the capital to redeem the company shares acquired by the company or other companies in its Group, against the capital (for the par value) and unappropriated reserves (for the amount of the acquisition in excess of such par value), by such amounts as may be deemed fit from time to time, up to the maximum number of own shares held from time to time.

- To delegate to the Board the power to execute this resolution to reduce the capital, on one or several occasions, or to render it null and void, within a period not exceeding 5 years from the date of this AGM, doing whatsoever may be required by law for this purpose.

The Board was especially authorised, within the times and limits established in this resolution, to: (i) reduce the capital or otherwise, establishing the specific date or dates of the operations, as the case may be, taking account of any internal and external factors affecting the decision; (ii) state in each case the amount of the reduction of capital; (iii) specify the application of the amount of the reduction of capital, allocating it either to an undistributable reserve or to unappropriated reserves, complying as appropriate with the guarantees and other requirements stipulated in law; (iv) adapt Articles 6 and 7 of the Articles of Association in each case to reflect the new amount of capital and the new number of shares; (v) apply in each case for delisting of the redeemed shares; and (vi) in general, adopt such resolutions as may be deemed fit to redeem the shares and reduce the capital accordingly, appointing individuals to do whatsoever may be necessary.

These resolutions were approved by a majority of 98.84% of the voting capital present and represented

#### ITEM SEVEN ON THE AGENDA

- To expressly authorise the Board, with the fullest powers necessary, to make one or several financial contributions to Fundación Ebro Puleva over forthcoming years, up to and not exceeding the sum of five hundred thousand euro (500,000 €), without prejudice to similar authorisations granted by the General Meeting in previous years for the Board to donate funds to Fundación Ebro Puleva.

This resolution was approved by a majority of 99.93% of the voting capital present and represented.

#### ITEM EIGHT ON THE AGENDA

- To approve the alteration of Article 1 ("Name").

This resolution was approved by a majority of 93.28% of the voting capital present and represented.

- To approve the alteration of the following articles: Article 9 ("General Meeting"); Article 11 ("Quorum"); Article 12 ("Quorum. Special Cases"); Article 17 ("Presiding board. Information, discussion and voting. Distance voting and proxies").

This resolution was approved by a majority of 93.28% of the voting capital present and represented.

- To approve the alteration of Article 22 ("Directors' Emoluments").

This resolution was approved by a majority of 93.28% of the voting capital present and represented.

- To approve the alteration of the following articles: Article 30 ("Annual Accounts"); Article 31 ("Contents of the Annual Accounts"); Article 32 ("Directors' Report").

This resolution was approved by a majority of 93.28% of the voting capital present and represented.

- To approve the alteration of the following articles: Article 36 ("Conversion, merger, division and global transfer of assets and liabilities"); Article 37 ("Winding-Up"); and Article 38 ("Liquidation").

This resolution was approved by a majority of 93.28% of the voting capital present and represented.

This alteration of the articles indicated was agreed subject to a written report by the directors justifying the proposed alterations, approved at the Board meeting on 28 April 2010, which was available for consultation by shareholders as from the date of call and was included in the documents delivered to them at the General Meeting.

The modified articles had the new text set out in the aforesaid directors' report.

- To approve the recasting in a single text of the different alterations made to the Bylaws such that they will be incorporated in a single public instrument.

This resolution was approved by a majority of 93.28% of the voting capital present and represented.

The recast text of the Bylaws was available for consultation by shareholders as from the date of call and was included in the documents delivered to them at the General Meeting.

#### ITEM NINE ON THE AGENDA

- To approve the alteration of the following articles of the Regulations of the General Meeting of Ebro Puleva, S.A.: Article 2 ("Powers of the General Meeting"); Article 6 ("Shareholders' right to information prior to General Meetings"); Article 8 ("Quorum"); and Article 14 ("Voting and adopting of resolutions").

This resolution was approved by a majority of 93.04% of the voting capital present and represented.

The alteration of the articles indicated was agreed subject to a written report by the directors justifying the proposed alterations, approved at the Board meeting on 28 April 2010 in pursuance of Article 19 of the Regulations of the General Meeting. This report was available for consultation by shareholders from the date of call and was included in the documents delivered to them at the General Meeting.

The modified articles had the new text set out in the aforesaid directors' report.

- To approve the recasting in a single text of the different alterations made to the Regulations of the General Meeting, such that they will be incorporated in a single public instrument.

This resolution was approved by a majority of 93.04% of the voting capital present and represented.

The recast text of the Regulations of the General Meeting was available for consultation by shareholders from the date of call and was included in the documents delivered to them at the General Meeting.

#### ITEM TEN ON THE AGENDA

- To approve the following remunerations of directors during the year ended 31 December 2009:

##### REMUNERATION OF THE BOARD AND OTHER BENEFITS (in thousand euro)

###### REMUNERATION

Expenses and attendance fees: 300  
Share in profits stipulated in Bylaws: 2,332  
Total non-executive directors: 2,632  
Wages, salaries and professional fees: 7,298  
Compensation and other transfer instruments: 0  
Total executive directors: 7,298

TOTAL REMUNERATION 9,930



## OTHER BENEFITS

Life and retirement insurance: 52

This resolution was approved by a majority of 93.41% of the voting capital present and represented.

- To approve the Report on the Directors' Remuneration Policy for 2009 prepared by the Board.

This resolution was approved by a majority of 93.41% of the voting capital present and represented.

- To authorise the Board so that it may, after completing any formalities required by law, establish an Incentive Scheme contemplating, in full or in part, the delivery of shares in the company, as a compulsory or optional alternative to payment in cash, to members of management, directors or otherwise, of the Group and its principal companies, in accordance with the following conditions:

1. The maximum number of company shares that may be included in that Scheme may not exceed 0.5% of the total outstanding shares in the company.
2. The beneficiaries of this Scheme will be selected among the members of management of both the company and its principal subsidiaries, regardless of whether they have an employment relationship or a commercial relationship with the Group.
3. The value of the shares to be delivered will be indexed to the average price over the 100 stock exchange sessions preceding the date of delivery.
4. The shares may be delivered within a minimum of two (2) years and a maximum of five (5) years from the creation of the corresponding Scheme.
5. All other aspects shall be decided by the Board, which shall be authorised to interpret, complete, develop and execute this resolution.

This resolution was approved by a majority of 93.41% of the voting capital present and represented.

## ITEM ELEVEN ON THE AGENDA

- To approve the re-election of Antonio Hernández Callejas (Chairman) as executive director of the company for a period of four years.

This resolution was approved by a majority of 66.24% of the voting capital present and represented.

- To approve the re-election of José Barreiro Seoane (Vice-Chairman) as non-executive independent director of the company for a period of four years.

This resolution was approved by a majority of 98.24% of the voting capital present and represented.

- To approve the re-election of Alimentos y Aceites, S.A. (Member) as non-executive proprietary director of the company for a period of four years.

This resolution was approved by a majority of 98.24% of the voting capital present and represented.

- To approve the re-election of Caja de Ahorros de Salamanca y Soria (Member) as non-executive proprietary director of the company for a period of four years.

This resolution was approved by a majority of 98.24% of the voting capital present and represented.

- To approve the re-election of Jaime Carbó Fernández (Member) as executive director of the company for a period of four years.

This resolution was approved by a majority of 98.24% of the voting capital present and represented.

- To approve the re-election of Fernando Castelló Clemente (Member) as non-executive independent director of the company for a period of four years.

This resolution was approved by a majority of 98.24% of the voting capital present and represented.

- To approve the re-election of José Ignacio Comenge Sánchez-Real (Member) as non-executive independent director of the company for a period of four years.

This resolution was approved by a majority of 98.24% of the voting capital present and represented.

- To approve the re-election of Leopoldo del Pino y Calvo Sotelo (Member) as non-executive proprietary director of the company for a period of four years.

This resolution was approved by a majority of 98.24% of the voting capital present and represented.

- To approve the re-election of Blanca Hernández Rodríguez (Member) as non-executive proprietary director of the company for a period of four years.

This resolution was approved by a majority of 98.24% of the voting capital present and represented.

- To approve the re-election of Eugenio Ruiz-Gálvez Priego (Member) as “other non-executive” director of the company for a period of four years.

This resolution was approved by a majority of 98.24% of the voting capital present and represented.

- To approve the appointment of Demetrio Carceller Arce as non-executive proprietary director of the company for a period of four years.

This resolution was approved by a majority of 98.16% of the voting capital present and represented.

- To approve the appointment of Sol Daurella Comadrán as non-executive independent director of the company for a period of four years.

This resolution was approved by a majority of 98.24% of the voting capital present and represented.

- To approve the appointment of August Oetker as non-executive proprietary director of the company for a period of four years.

This resolution was approved by a majority of 98.24% of the voting capital present and represented.

- To approve the appointment of Instituto Hispánico del Arroz, S.A. as non-executive proprietary director of the company for a period of four years.

This resolution was approved by a majority of 98.24% of the voting capital present and represented.

- To set the number of Board members at fourteen, in accordance with the Corporations Act s. 123 and Article 19 of the Bylaws.

This resolution was approved by a majority of 98.24% of the voting capital present and represented,

#### ITEM TWELVE ON THE AGENDA

- To expressly authorise the Chairman, Secretary and Vice-Secretary of the Board, as extensively as may be required by law, so that any one of them, acting individually and with his/her sole signature, may execute, put on record and give notice of each and all of the resolutions adopted at this General Meeting, supplement, develop and remedy those resolutions, deliver them and secure their full or partial entry in the Trade Register or in any other registers kept by the corresponding public or private institutions, execute and rectify any public or private documents of whatsoever nature and take such other action or actions as may be necessary.

This resolution was approved by a majority of 99.93% of the voting capital present and represented.

E.9. State the number of shares required to attend General Meetings, indicating whether any restrictions are established in the articles of association.

YES

<b>Number of shares required to attend general meeting</b>	100
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E.10. Describe and justify the company's policies on proxy votes at General Meetings.

Proxy votes are regulated in Article 7 of the Regulations of the General Meeting.

Any shareholder entitled to attend may be represented at general meetings by another person. The proxy shall be made in writing especially for each general meeting or, as the case may be, through distance communication means in accordance with the appropriate provisions of these Regulations and especially for each general meeting. This right to representation is without prejudice to the legal provisions established for family representation and the granting of general powers of attorney.

In any case, whether the proxy is voluntary or required by law, no shareholder may have more than one representative at any general meeting.

Proxies may be revoked at any time. Personal attendance at the general meeting by the represented shareholder shall have the effect of revoking the proxy.

In cases of public requests for representation, the document establishing the power of attorney shall contain or annex the agenda, together with the request for instructions to exercise the voting right and indications of how the representative will vote if no specific instructions are issued. Such public request shall be deemed to exist whenever any one person represents more than three shareholders.

The proxy may also include any points which, although not included on the agenda in the notice of call, are likely to be dispatched at the meeting, being so permitted by law.

If there are no voting instructions because the General Meeting is going to resolve on issues which, by law, do not need to be included on the agenda, the representative shall cast the vote howsoever he may consider his principal's interests best favoured.

If the represented shareholder has issued instructions, the representative may only vote otherwise in circumstances of which the shareholder was unaware at the time of issuing the instructions and when the represented shareholder's interests are in jeopardy.

In the last two cases, the proxy shall inform the represented shareholder forthwith, in writing, explaining the reasons for his vote.

E.11. Is the company is aware of the policies of institutional investors regarding their participation or otherwise in company decisions?

NO

E.12. Address and access to the corporate governance contents on the company's web site.

Ebro Foods's corporate web site <http://www.ebrofoods.es> is set up as a vehicle of continuous, up-to-date information for shareholders, investors and the financial market in general.

In this respect, the home page includes a specific section, called "Information for shareholders and investors", which contains all the information required under the applicable legal provisions.

This section includes, pursuant to current legislation, the chapter on Corporate Governance. The specific address of this chapter is:

<http://www.ebrofoods.es/informacion-para-accionistas-e-inversores/gobierno-corporativo/reglamento-de-la-junta-general/> or:  
<http://www.ebrofoods.es/information-for-shareholders-and-investors/corporate-governance/regulations-of-the-general-meeting/>

The Corporate Governance chapter is structured in the following sub-sections:

- Regulations of the General Meeting
- General Meeting of Shareholders
- Shareholders' Agreements
- Board of Directors
- Corporate Governance Report
- Code of Conduct

The contents of this chapter are structured and hierarchical, with a concise, explanatory title, to permit rapid, direct access to each section, in accordance with legal recommendations, at less than three clicks from the home page.

All these sections have been designed and prepared according to the principle of accessibility, aiming to enable fast location and downloading of the required information.

## **F. EXTENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS**

Indicate the degree of compliance by the company with existing corporate governance recommendations. In the event of non-compliance with any recommendations, explain the recommendations, standards, practices or principles applied by the company.

1. The Articles of Association of listed companies should not limit the maximum number of votes that may be cast by an individual shareholder or impose other restrictions hampering takeover of the company via the market acquisition of its shares.

*See sections A.9, B.1.22, B.1.23, E.1 and E.2*

Complies

2. When both the parent company and a subsidiary are listed, they should both publish a document specifying exactly:

- a) The types of activity they are respectively engaged in and any business dealings between them, and between the listed subsidiary and other group companies;
- b) The mechanisms in place to solve any conflicts of interest.

*See sections C.4 and C.7*

Complies

3. Although not expressly required in company law, any operations involving a structural alteration of the company should be submitted to the General Meeting for approval, especially the following:
  - a) Conversion of listed companies into holdings, through spin-off or “subsidiarisation”, i.e. reallocating to subsidiaries of core activities thereunto performed by the company, even though the latter may retain full ownership of its subsidiaries;
  - b) Acquisition or disposal of key operating assets, if this involves an effective alteration of its objects;
  - c) Any operations producing effects equivalent to liquidation of the company.

Complies

4. Detailed proposals of the resolutions to be adopted at a General Meeting, including the information contemplated in Recommendation 28, should be published simultaneously with the notice of call to the General Meeting.

Explanation

The proposed resolution to change the composition of the Board in item eleven of the Agenda was agreed by the Board after publication of the notice of call.

5. Substantially independent items shall be voted separately at General Meetings to enable shareholders to express their preferences separately. This rule is particularly applicable:
  - a) To the appointment or ratification of directors, which should be voted individually;
  - b) In the case of Bylaw alterations, to each article or substantially independent group of articles.

*See section E.8*

Complies

6. Companies should allow split votes, so that financial intermediaries on record as shareholders but acting on behalf of different clients can vote according to the latter's instructions.

*See section E.4*

Complies

7. The Board should perform its duties with unity in proposal and independent criteria, affording all shareholders the same treatment and guided by corporate interests, which shall mean maximising the value of the company over time.  
It shall also ensure that the company complies with the applicable laws and regulations in its relations with stakeholders; fulfils its contracts and obligations in good faith; respects good customs and practice in the sectors and territories in which it operates; and upholds any other social responsibility principles that it may have subscribed to voluntarily.

Complies

8. The Board should undertake, as its principal mission, to approve the company's strategy and the organisation required to put it into practice, and to oversee and ensure that Management meets the targets marked out and respects the objects and corporate interest of the company. For this purpose, the full Board shall approve the following:

- a) General policies and strategies of the Company, particularly:
- i) The strategic or business plan, management objectives and annual budgets;
  - ii) Investment and financing policy;
  - iii) Definition of the structure of the corporate group;
  - iv) Corporate governance policy;
  - v) Corporate social responsibility policy;
  - vi) Policy on the remuneration and performance assessment of senior officers;
  - vii) Risk management and control policy and the regular monitoring of internal information and control systems;
  - viii) The dividend policy and treasury stock policy, particularly regarding limits.

*See sections B.1.10, B.1.13, B.1.14 and D.3*

b) The following decisions:

- i) Upon recommendation by the chief executive, the appointment and possible removal of senior officers, and corresponding severance clauses.

*See section B.1.14*

- ii) Directors' emoluments and, for executive directors, supplementary remuneration for their executive duties and any other terms and conditions to be included in their contracts.

*See section B.1.14*

- iii) The financial information that listed companies are obliged to disclose periodically.
- iv) Any investments or transactions considered strategic by virtue of their amount or special characteristics, unless approval corresponds to the General Meeting;
- v) Creation or acquisition of shares in special purpose vehicles or companies domiciled in countries or territories considered tax havens, and any transactions or operations of a similar nature which could, by virtue of their complex structure, impair the group's transparency.

c) Transactions between the company and its directors, significant shareholders or shareholders with representatives on the Board, or persons related thereto ("related-party transactions").

This authorisation will not be necessary for related-party transactions that meet all of the following three conditions:

1. Made under contracts with standard terms and conditions applied across the board to large numbers of clients;
2. Made at the general prices or rates established by the person supplying the good or service;
3. Made for a sum not exceeding 1% of the company's annual earnings.

The Board is recommended to make approval of related-party transactions dependent on a favourable report by the Audit Committee, or such other committee as may be assigned this duty.

Apart from not exercising or delegating their vote, the affected Directors shall leave the room during the corresponding discussion and voting by the Board.

It is recommended that these competences of the Board be non-delegable, except those contemplated in paragraphs b) and c), which may be adopted by the Executive Committee in an emergency, subject to subsequent ratification by the full Board.

*See sections C.1 and C.6*

Complies

9. The Board should have an adequate size to secure efficient, participative performance of its duties. The recommended size is between five and fifteen members.

*See section B.1.1*

Complies

10. Non-executive proprietary and independent directors should have an ample majority on the board, while the number of executive directors should be kept to a minimum, taking account of their equity ownership and the complexity of the corporate group.

*See sections A.2, A.3, B.1.3 and B.1.14*

Complies

11. If any non-executive director cannot be considered proprietary or independent, the company should explain this circumstance and the director's ties with the company or its executives, or with its shareholders.

*See section B.1.3*

Not applicable

12. Among the non-executive directors, the ratio of proprietary to independent directors should reflect the proportion between capital represented and not represented on the Board.  
This strictly proportional distribution may be relaxed so that proprietary directors have a greater weight than that corresponding to the total percentage of capital they represent:
1. In companies with a high capitalisation with few or no shareholdings considered significant by law, but in which certain shareholders have interests with a high absolute value.
  2. In companies with a plurality of unrelated shareholders represented on the Board.

*See sections B.1.3, A.2 and A.3*

Complies

13. The total number of Independent Directors should represent at least one-third of the total Directors.

*See section B.1.3*

Explanation

There are 4 independent directors, representing 30.769% of the total board members.

The company considers that the composition of the board reflects the composition of the shareholding body and that for the time being it is not necessary to appoint another independent director, owing to the very small difference in respect of the recommended percentage.

14. The Board should explain the nature of each Director at the General Meeting at which an appointment is to be made or ratified. The type of director should be confirmed or altered, as the case may be, in the Annual Corporate Governance Report, following verification by the Nomination Committee. The reasons why Proprietary Directors have been appointed at the request of shareholders with an interest of less than 5% in the capital shall be explained in that Report, as well as the reasons, where appropriate, for not meeting formal requests for presence on the Board from shareholders with an interest equal or greater than others at whose request proprietary directors have been appointed.

*See sections B.1.3 and B.1.4*

Complies

15. When there are few or no female directors, the Board should explain the reasons for this situation and the steps taken to correct it. In particular, when vacancies arise on the Board, the Nomination Committee should ensure that:
- There is no hidden bias against women candidates in the selection procedures;
  - The company makes a conscious effort to include women with the target profile among the candidates.

*See sections B.1.2, B.1.27 and B.2.3*

#### Explanation

Board members are appointed regardless of candidates' sex, so there is no positive or negative discrimination of any nature in the election of directors.

María Blanca Hernández Rodríguez was appointed director in 2006 and Sol Daurella Comadrán in 2010.

16. The Chairman, being responsible for the effective operation of the Board, should make sure that directors receive sufficient information in advance; stimulate debate and active participation by directors at all Board meetings, protecting their free stand and expression of opinion on any issues; and organise and coordinate periodic assessment of the Board, and the Managing Director or CEO, if any, with the chairmen of the principal committees.

*See section B.1.42*

#### Complies

17. When the Chairman of the Board is also the chief executive officer of the company, one of the Independent Directors should be authorised to request the calling of a Board meeting or the inclusion of new items on the agenda; coordinate and express the concerns of the Non-Executive Directors; and direct the assessment by the Board of its Chairman.

*See section B.1.21*

#### Complies

18. The Secretary of the Board should especially ensure that the Board's actions:
- Conform to the text and spirit of the laws and regulations, including those adopted by the market watchdogs;
  - Conform to the company's Articles of Association and the Regulations of the General Meeting, the Board and any other internal regulations of the Company;
  - Take account of the good governance recommendations contained in this Unified Code endorsed by the company.

To guarantee the independence, impartiality and professionalism of the Secretary, his/her appointment and removal should require a report by the Nomination Committee and approval by the full Board; and the procedure for appointment and removal should be set down in the Regulations of the Board.

*See section B.1.34*

#### Complies

19. The Board should meet as often as may be necessary to secure efficient performance of its duties, following the calendar and business established at the beginning of the year, although any director may propose other items not initially contemplated to be included on the agenda.



*See section B.1.29*

Complies

20. Non-attendance of Board meetings should be limited to inevitable cases and stated in the Annual Corporate Governance Report. If a director is forced to grant a proxy for any Board meeting, the appropriate instructions shall be issued.

*See sections B.1.28 and B.1.30*

Complies

21. When the Directors or the Secretary express concern over a proposal, or, in the case of Directors, the company's performance, those concerns should be put on record, at the request of those expressing them.

Complies

22. The full Board should assess once a year:

- a) The quality and effectiveness of the Board's actions;
- b) Based on the report issued by the Nomination Committee, the performance by the Chairman of the Board and Chief Executive Officer of their respective duties;
- c) The performance of its Committees, based on the reports issued by each one.

*See section B.1.19*

Complies

23. All the Directors should be entitled to obtain such supplementary information as they may consider necessary on business within the competence of the Board. Save otherwise stipulated in the Articles of Association or Board Regulations, their requests should be addressed to the Chairman or Secretary of the Board.

*See section B.1.42*

Complies

24. All Directors should be entitled to call on the company for specific guidance in the performance of their duties, and the company should provide adequate means for exercising this right, which in special circumstances may include external assistance, at the company's expense.

*See section B.1.41*

Complies

25. Companies should establish an induction programme to give new Directors a rapid, sufficient insight into the company and its rules on corporate governance. Directors should also be offered refresher courses in the appropriate circumstances.

Complies

26. Companies should require Directors to devote the necessary time and efforts to perform their duties efficiently. Accordingly:

- a) Directors should inform the Nomination Committee of any other professional obligations they may have, in case they may interfere with the required dedication;
- b) Companies should limit the number of directorships that its Directors may hold.

*See sections B.1.8, B.1.9 and B.1.17*

Complies

27. Proposals for the appointment or re-appointment of directors submitted by the Board to the General Meeting and the provisional appointment of directors by cooptation should be approved by the Board:
- At the proposal of the Nomination Committee, in the case of Independent directors.
  - Subject to a report by the Nomination Committee for other directors.

*See section B.1.2*

Complies

28. Companies should publish on their web sites and regularly update the following information on their directors:
- Professional and biographical profile;
  - Other directorships held, in listed or unlisted companies;
  - Type of director, indicating in the case of proprietary directors the shareholders they represent or are related with.
  - Date of first and subsequent appointments as company director; and
  - Company shares and stock options held.

Partial Compliance

This Recommendation is followed in all sections except b).

29. Independent directors should not remain on the Board as such for more than 12 years in succession.

*See section B.1.2*

Complies

30. Proprietary directors should resign when the shareholder they represent disposes of its entire shareholding in the company. They should also resign in the corresponding number when the shareholder disposes of part of its shares to an extent requiring a reduction in the number of proprietary directors.

*See sections A.2, A.3 and B.1.2*

Complies

31. The Board should not propose the removal of any independent director before the end of the period for which he or she was appointed, unless there are just grounds for doing so, as appreciated by the Board subject to a report by the Nomination Committee. Just grounds are deemed to exist when the director has acted in breach of his duties or when he or she falls into any of the circumstances described in point III.5, definitions, of this Code.

The removal of independent directors may also be proposed as a result of takeover bids, mergers or similar corporate operations producing a change in the capital structure of the company, whenever those changes in the structure of the Board correspond to the principle of proportionality established in Recommendation 12.

*See sections B.1.2, B.1.5 and B.1.26*

Complies

32. Companies should establish rules obliging directors to report and, if necessary, resign in any cases that may jeopardise the company's reputation. In particular, directors should be obliged to inform the Board of any criminal proceedings brought against them and the subsequent development of the proceedings.

If a director is tried for any of the offences contemplated in section 124 of the Corporations Act, the Board should study the case as soon as possible and, in view of the specific circumstances, decide whether or not the director should remain in office. A reasoned account should be included in the Annual Corporate Governance Report.

*See sections B.1.43 and B.1.44*

Complies

33. All the directors should clearly express their opposition whenever they consider that any proposed decision submitted to the Board may go against corporate interests. The independent and other directors not affected by the potential conflict of interest should also do so when the decisions may be detrimental to shareholders not represented on the Board.

And when the Board adopts significant or reiterated decisions regarding which a director has expressed serious reservations, the latter should reach the appropriate conclusions and, if he or she opts to resign, explain the reasons in the letter contemplated in the following recommendation.

This recommendation also affects the Secretary of the Board, even if he or she is not a director.

Complies

34. If a director resigns or retires from office on whatsoever other grounds before the end of his or her term of office, he or she should explain the reasons in a letter sent to all the Board members. Regardless of whether the retirement is announced as a significant event, the reason shall be indicated in the Annual Corporate Governance Report.

*See section B.1.5*

Not applicable

35. The remuneration policy approved by the Board should regulate at least the following aspects:
- a) Amount of fixed items, specifying the amount of attendance fees, if any, for Board and Committee meetings and estimating the fixed remuneration for the year;
  - b) Variable pay items, including, in particular:
    - i) Types of director to which they are applicable and an explanation of the relative weight of the variable pay items to the fixed items;
    - ii) Criteria for assessment of results on which any right to remuneration in shares, stock options or any other variable component is based;
    - iii) Essential parameters and basis for any system of annual bonus payments or other non-cash benefits; and
    - iv) An estimate of the aggregate sum of variable remunerations deriving from the proposed remuneration plan, according to the degree of fulfilment of the reference hypotheses or objectives.
  - c) Principal terms of the welfare schemes (e.g. supplementary pensions, life assurance and similar), estimating the amount or equivalent annual cost.

- d) Conditions to be respected in top management and executive director contracts, including:
  - i) Term;
  - ii) Notice; and
  - iii) Any other clauses concerning golden hellos or golden parachutes for early termination of the contractual relationship between the company and the executive director.

*See section B.1.15*

Complies

36. Remunerations in the form of shares in the company or group companies, stock options or instruments linked to the value of the share and any variable remuneration linked to the company's performance or welfare schemes should be limited to executive directors.

This recommendation shall not be applicable to the delivery of shares when subject to the condition that the directors keep them up to their retirement from the Board.

*See sections A.3 and B.1.3*

Complies

37. The remuneration of non-executive directors should be sufficient to remunerate their dedication, qualifications and responsibilities, but not so high as to compromise their independence.

Complies

38. Earnings-linked remuneration should take account of any qualifications in the external auditor's report that may reduce such earnings.

Not Applicable

39. In the case of variable remuneration, the pay policies should establish such precautions as may be necessary to ensure that such remuneration is related to the professional performance of its beneficiaries, not merely deriving from general trends on the markets or in the company's sector of business or other similar circumstances.

Complies

40. The Board should submit to an advisory vote at the General Shareholders' Meeting, as a separate item on the agenda, a report on the directors' remuneration policy. This report should be made available to shareholders, as a separate document or in whatsoever other form the company may deem fit.

The report should focus especially on the remuneration policy approved by the Board for the current year and that established, if any, for future years. It shall address all the issues contemplated in Recommendation 35, except those points that could entail disclosure of commercially sensitive information. It shall stress the most significant changes in such policies in respect of that applied during the previous year to which the General Meeting refers. It shall also include a global summary of implementation of the remuneration policy in the previous year.

The Board should also inform on the role played by the Remuneration Committee in defining the remuneration policy and, if external assistance has been used, the identity of the external advisers who provided such assistance.

*See section B.1.16*

Complies

41. The individual remunerations of directors during the year shall be disclosed in the Annual Report, including the following details:
- a) Breakdown of the remuneration of each director, including, where applicable:
    - i) Attendance fees and other fixed sums payable to directors;
    - ii) Additional compensation for being Chairman or member of one of the Committees of the Board;
    - iii) Payments made under profit-sharing or bonus schemes and the reasons for their accrual;
    - iv) Contributions on behalf of the director to defined-contribution pension schemes; or increase in the director's vested rights in contributions to defined-benefit schemes;
    - v) Any indemnities agreed or paid upon termination of their duties;
    - vi) Compensation received as director of other group companies;
    - vii) Remuneration received by executive directors as payment for their senior management duties;
    - viii) Any sums paid other than those listed above, regardless of the nature or the group company paying them, especially when it may be considered a related-party transaction or omission would distort the true and fair view of the total remuneration received by the director.
  - b) Breakdown for each director of any deliveries of shares, stock options or whatsoever other instrument linked to the value of the company's share, specifying:
    - i) Number of shares or options granted during the year and conditions for exercising the options;
    - ii) Number of options exercised during the year, indicating the corresponding number of shares and the exercise price;
    - iii) Number of options pending exercise at year end, indicating their price, date and other conditions for exercise;
    - iv) Any modification during the year of the conditions for exercising options granted earlier.
  - c) Information on the ratio during the previous year of remuneration received by the executive directors and the company's profits or any other measure of its earnings.

Complies

42. When there is an Executive Committee, the balance between the different types of director should roughly mirror that of the Board. The Secretary of the Board should be Secretary of the Executive Committee.

*See sections B.2.1 and B.2.6*

Complies

43. The Board should be informed at all times of the business transacted and decisions made by the Executive Committee and all Board members should receive a copy of the minutes of Executive Committee meetings.

Complies

44. In addition to the Audit Committee which is mandatory under the Securities Market Act, the Board shall set up a Nomination and Remuneration Committee, or two separate Committees.  
The rules on composition and procedure of the Audit Committee and the Nomination and Remuneration Committee or Committees should be set out in the Regulations of the Board, including the following:

- a) The Board should appoint the members of these Committees, taking account of the directors' knowledge, expertise and experience and the duties corresponding to each Committee and discuss their proposals and reports. The Committees should report to the Board on their actions at the first full Board meeting after each Committee meeting, being accountable for the work done.
- b) These Committees should have a minimum of three members, who should be exclusively Non-Executive Directors. This notwithstanding, Executive Directors or senior officers may attend their meetings when expressly so decided by the Committee members.
- c) The Committees should be chaired by Independent Directors.
- d) They may obtain external assistance whenever this is considered necessary for the performance of their duties.
- e) Minutes should be issued of Committee meetings and a copy sent to all members of the Board.

*See sections B.2.1 and B.2.3*

Complies

45. The Audit Committee, Nomination Committee or, if separate, the Compliance or Corporate Governance Committee(s) should be responsible for overseeing compliance with internal codes of conduct and corporate governance rules and regulations.

Complies

46. All members of the Audit Committee, particularly its Chairman, should be appointed in view of their knowledge of and experience in accounting, auditing or risk management.

Complies

47. Listed companies should have an internal audit department, supervised by the Audit Committee, to guarantee the effectiveness and efficiency of the internal reporting and control systems.

Complies

48. The chief audit officer should submit an annual work programme to the Audit Committee, reporting directly on any irregularities arising during its implementation and submitting an activity report at each year end.

Complies

49. The risk management and control policy should define at least:
- a) The different types of risk (operating, technological, financial, legal, reputational...) to which the company is exposed, including under financial or economic risks any contingent liabilities or other off-balance-sheet exposure;
  - b) The level of risk that the company considers acceptable;
  - c) The measures envisaged to soften the effects of the risks identified, should they materialise;
  - d) The internal reporting and control systems to be used to control and manage those risks, including contingent liabilities or off-balance-sheet risks.

*See section D*

Complies

50. The Audit Committee should:

1. In connection with the internal reporting and control systems:
  - a) Supervise the preparation and integrity of the financial information on the company and, where appropriate, the group, checking for compliance with applicable legal provisions, adequate definition of the consolidated group and correct application of accounting standards.
  - b) Check internal control and risk management systems on a regular basis to ensure that the principal risks are adequately identified, managed and disclosed.
  - c) Oversee the independence and effectiveness of the internal audit department; propose the nomination, appointment, reappointment and removal of the chief audit officer; propose the budget for this department; receive periodical information on its activities; and check that the top management heeds the conclusions and recommendations set out in its reports.
  - d) Establish and supervise a “whistle-blowing” procedure so employees can confidentially and, if considered appropriate, anonymously report any potentially important irregularities they may observe in the company's conduct., especially in financial and accounting aspects.
2. In connection with the external auditor:
  - a) Submit proposals to the Board on the nomination, appointment, reappointment and replacement of the external auditor and its terms of engagement.
  - b) Receive regular information from the external auditor on the audit plan and findings and make sure the senior management acts on its recommendations.
  - c) Guarantee the independence of the external auditor, and for this purpose:
    - i) The company should inform the CNMV as a significant event whenever the auditor is changed, attaching a declaration on any disagreements that may have arisen with the outgoing auditor and their content, if any.
    - ii) The company and the auditor should be ensured to respect all rules and regulations in place regarding the provision of services other than auditing services, limits on concentration of the auditor's services and any other rules established to guarantee the auditors' independence;
    - iii) Investigate the circumstances giving rise to resignation of any external auditor.
  - d) In groups, encourage the auditor of the group to audit the group companies.

*See sections B.1.35, B.2.2, B.2.3 and D.3*

Complies

51. The Audit Committee may call any employee or executive of the company into its meetings, even ordering their appearance without the presence of any other senior officer.

Complies

52. The Audit Committee should report to the Board on the following matters from Recommendation 8 before the latter adopts the corresponding decisions:

- a) The financial information that listed companies are obliged to disclose periodically. The Committee shall ensure that interim financial statements are drawn up under the same accounting principles as the annual statements, requesting a limited external audit if necessary.
- b) Creation or acquisition of shares in special purpose vehicles or companies domiciled in countries or territories which are considered tax havens, and any transactions or operations of a similar nature which could, by virtue of their complex structure, impair the group's transparency.

c) Related-party transactions, unless this prior reporting duty has been assigned to another supervision and control committee.

*See sections B.2.2 and B.2.3*

Complies

53. The Board should endeavour to avoid a qualified auditor's report on the accounts laid before the General Meeting, and in exceptional circumstances when such qualifications exist, both the Chairman of the Audit Committee and the auditors shall clearly explain to the shareholders their content and scope.

*See section B.1.38*

Complies

54. The majority of the members of the Nomination Committee – or Nomination and Remuneration Committee if there is just one – should be independent directors.

*See section B.2.1*

Complies

55. Apart from the duties specified in preceding Recommendations, the Nomination Committee should:

- a) Assess the expertise, knowledge and experience of Board members; define the duties and skills required of candidates to fill vacancies; and determine the time and dedication considered necessary for them to adequately perform their duties.
- b) Study or organise as appropriate the succession of the Chairman or Chief Executive Officer and, if necessary, make recommendations to the Board to secure an orderly, well-planned handover.
- c) Report on any appointments and removals of senior officers proposed by the Chief Executive Officer.
- d) Report to the Board on the gender issues contemplated in Recommendation 14.

*See section B.2.3*

Partial Compliance

All the duties contemplated in this Recommendation correspond to the Nomination and Remuneration Committee except the duty mentioned in d).

The Nomination and Remuneration Committee does not report to the board on the gender issues contemplated in Recommendation 14 of the Code of Good Governance because the company does not make any positive or negative discrimination in the election of directors, who are elected regardless of their sex, as indicated in section B.1.27 and in the explanation to Recommendation 14 of this Report.

56. The Nomination Committee should consult the Chairman and Chief Executive Officer, especially on matters concerning Executive Directors.

Any director may request the Nomination Committee to consider potential candidates they consider suitable to fill vacancies on the Board.

Complies

57. Apart from the duties indicated in the preceding Recommendations, the Remuneration Committee should:



- a) Submit proposals to the Board on:
  - i) The remuneration policy for directors and senior officers;
  - ii) The individual remuneration of executive directors and other terms of contract.
  - iii) The basic conditions of senior executive contracts.
- b) Ensure compliance with the remuneration policy established by the company.

*See sections B.1.14 and B.2.3*

Complies

58. The Remuneration Committee should consult the Chairman and Chief Executive Officer, especially on matters concerning executive directors and senior officers.

Complies

## **G. OTHER INFORMATION OF INTEREST**

If you consider there to be an important principle or aspect regarding the corporate governance practices applied by your company that have not been mentioned in this report, indicate them below and explain the contents.

### EXPLANATORY NOTE ONE, CONCERNING SECTION A.5.

For relations between the Ebro Foods companies and their significant shareholders, see section C.2 of this report.

### EXPLANATORY NOTE TWO, CONCERNING SECTION B.1.4.

No requests for presence on the board were made during 2010 by shareholders with interests equal to or greater than others at whose request, had it been made, proprietary directors would have been appointed.

### EXPLANATORY NOTE THREE, CONCERNING SECTION B.1.7.

María Blanca Hernández Rodríguez is also Chairman of the Board of Trustees of the Ebro Foods Foundation.

### EXPLANATORY NOTE FOUR, CONCERNING SECTION B.1.8.

Leopoldo del Pino y Calvo-Sotelo is not, strictly speaking, director of the listed company Grupo Ferrovial, S.A., but represents the corporate director Portman Baela, S.L.

### EXPLANATORY NOTE FIVE, CONCERNING SECTION B.1.11.

- Explanations concerning paragraphs a) and b) of this section:

Of the total remuneration of the executive directors in 2010 (€3,441 thousand), €437 thousand correspond to early settlement, in one case, of the Deferred Annual Remuneration Scheme under the Ebro Foods Group

Strategic Plan for the period 2010-2012. The company's separate accounts for 2010 also include a provision of €445 thousand estimated for amounts payable under the Deferred Annual Remuneration Scheme corresponding to that year. This amount will be payable in 2012.

The Deferred Annual Remuneration Scheme is not linked to the value of the Ebro Foods share nor implies receipt by the beneficiaries of shares or any other rights thereover.

- Explanations concerning the following pay items and other benefits reflected in section B.1.11:

1. Provisions stipulated in the Articles: share in profits stipulated in Article 22 of the Articles of Association. See section B.1.14 of this Report.
2. Pension Funds and Schemes. Contributions: no Board members are beneficiaries of supplementary life and retirement insurance. The company has not granted any loans or advances to Board members or contracted any obligations on their behalf under guarantees or bonds.

#### EXPLANATORY NOTE SIX, CONCERNING SECTION B.1.12.

Of the total remuneration of executives (excluding Executive Directors) of the Ebro Foods Group included in the Deferred Annual Remuneration Scheme under the Group's Strategic Plan 2010-2011, a total provision of €680 thousand was made in 2010, which will be payable in 2012.

#### EXPLANATORY NOTE SEVEN, CONCERNING SECTION B.1.13.

The contracts of two executives contemplate guarantee clauses in the event of dismissal or takeover, the amount of which exceed the compensation established in the Workers' Statute.

The clauses initially established for other executives are below the compensation established in the Workers' Statute, owing to their accumulated seniority.

#### EXPLANATORY NOTE EIGHT, CONCERNING SECTION B.1.21.

Any of the directors, not only independent directors, may request the calling of a board meeting or inclusion of new items on the agenda.

#### EXPLANATORY NOTE NINE, CONCERNING SECTION B.1.40.

- Antonio Hernández Callejas and María Blanca Hernández Rodríguez hold an indirect interest in Ebro Foods, S.A. through the 15.720% interest held in the company by Instituto Hispánico del Arroz, S.A., directly and through Hispafoods Invest, S.L.

See sections A.3 and C.5 of this Report.

- In relation also to section B.1.8, Antonio Hernández Callejas and Demetrio Carceller Arce each hold a direct interest of 0.001% in SOS Corporación Alimentaria, S.A. acquired in 2011. Both these directors have been on the Board of that company since 20 January 2011.

#### EXPLANATORY NOTE TEN, CONCERNING SECTION B.2.1.

The Audit Committee of Ebro Foods, S.A. is called the Audit and Compliance Committee.

The Nomination Committee of Ebro Foods S.A. is the Nomination and Remuneration Committee.

#### EXPLANATORY NOTE ELEVEN, CONCERNING SECTIONS C.2 AND C.3.

The sections on related-party transactions were completed taking into account the following changes in the composition of the Board and in the companies included in the Ebro Foods Group produced during 2010:

1. The significant shareholder Instituto Hispánico del Arroz, S.A. was appointed director on 1 June and the transactions effected between 1 January and 31 May (both inclusive) are listed below:

- Related-party contractual transaction (purchase of goods, finished or otherwise) with Boost Nutrition, C.V. for €314 thousand.

- Related-party contractual transaction (sale of goods, finished or otherwise) with Boost Nutrition, C.V. for €295 thousand.

- Related-party contractual transaction (receipt of services) with Herba Foods for €25 thousand.

- Related-party contractual transaction (purchase of goods, finished or otherwise) with Herba Ricemills, S.L.U. for €886 thousand.

- Related-party contractual transaction (sale of goods, finished or otherwise) with Herba Ricemills, S.L.U. for €673 thousand.

- Related-party contractual transaction (purchase of goods, finished or otherwise) with S&B Herba Foods, Ltd. for €589 thousand.

- Related-party contractual transaction (sale of goods, finished or otherwise) with S&B Herba Foods, Ltd. for €435 thousand.

2. Caja España de Inversiones left the Board as of 1 June 2010. The related-party transactions effected by this company between 1 January and 31 May (both inclusive) are listed below:

- Related-party contractual transaction (financing arrangements: loans-borrower) with Ebro Foods, S.A. for €34,390 thousand.

3. Caja de Ahorros de Salamanca y Soria left the Board as of 22 September. The related-party transactions effected by this company between 1 January and 21 September 2010 (both inclusive) are listed below:

- Related-party contractual transaction (financing arrangements: loans-borrower) with Ebro Foods, S.A. for €51,203 thousand.

4. Juan Domingo Ortega Martínez left the Board as of 1 June 2010. The related-party transactions effected between 1 January and 31 May (both inclusive) are listed below:

- Related-party contractual transaction (sale of goods, finished or otherwise) with Puleva Food, S.L.U. for €1,760 thousand.

Puleva Food, S.L. was sold on 2 September 2010, so only those related-party transactions with that company effected between 1 January and 1 September 2010 are included.

In addition to the related-party transaction with Juan Domingo Ortega Martínez, Puleva Food made a related-party contractual transaction (sale of goods, finished or otherwise) with Sociedad Anónima Damm for €325 thousand.

EXPLANATORY NOTE TWELVE, CONCERNING SECTION C.5.

Potential conflicts of interest are described in section C.5 of this Report.

This section may be used to include any other information, clarification or qualification relating to the previous sections of the report, provided it is relevant and not repetitive.

In particular, state whether the company is subject to any laws other than the laws of Spain on corporate governance and, if this is the case, include whatever information the company may be obliged to supply that differs from the information included in this report.

Binding definition of independent director:

State whether any of the independent directors have or have had any relationship with the company, its significant shareholders or its executives which, if sufficiently large or significant, would have disqualified the director from being considered independent pursuant to the definition set out in section 5 of the Unified Code of Good Governance.

NO

Date and signature:

This annual corporate governance report was approved by the Board of Directors of the company on

30/03/2011.

State whether any directors voted against approval of this Report or abstained in the corresponding vote.

NO



**Disclaimer>>>>**  
FINANCIAL REPORT **2010**

## Disclaimer by the directors of Ebro Foods, S.A.>>>

**T**he members of the Board of Directors of Ebro Foods, S.A. declare that, to the best of their knowledge and belief, the Annual Financial Report of the company for 2010 containing the separate and consolidated annual accounts and directors' reports has been prepared in accordance with the applicable accounting principles and gives a true and fair view of the equity, financial position and earnings of the issuer and the companies in its consolidated group, and that the directors' report includes an accurate analysis of the business development and results and the position of the issuer and the companies in its consolidated group, together with a description of the main risks and uncertainties to which they are exposed.

This declaration is made in respect of the separate and consolidated annual accounts of Ebro Foods, S.A. for 2010, as drawn up by the Board of Directors of the company on the thirtieth of March two thousand and eleven.