GRUPO EBRO FOODS, S.A.

CONSOLIDATED FINANCIAL STATEMENTS
AND CONSOLIDATED DIRECTORS' REPORT

for the year ended
31 December 2011

prepared in accordance with
International Financial Reporting Standards
as adopted by the European Union

Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards 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.

EBRO FOODS CONSOLIDATED GROUP
CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2011 AND 2010
THOUSANDS OF EUROS

	Notes	12/31/11	12/31/10
NON-CURRENT ASSETS			
Intangible assets	9	392,725	293,461
Property, plant and equipment	10	507,760	449,594
Investment property	11	31,922	31,252
Financial assets	12	51,927	111,924
Investements in associates	13	2,740	3,097
Deferred tax assets	25	55,582	64,154
Goodwill	14	818,205	767,211
Other non-current assets		-	-
		1,860,861	**1,720,693**
CURRENT ASSETS			
Inventories	15	360,627	260,438
Trade and other receivables	16	340,428	282,976
Current income tax	25	10,644	3,222
Tax receivables	25	30,496	33,563
Financial assets	12	4,207	22,858
Derivatives and other financial instruments	28	1,570	129
Other current assets		3,905	5,444
Cash	17	97,870	555,707
		849,747	**1,164,337**
Non-current assets held for sale		-	-
TOTAL ASSETS		**2,710,608**	**2,885,030**

	Notes	12/31/2011	12/31/2010
EQUITY		**1,588,460**	**1,607,446**
Equity attributable to the shareholders of the Parent			
Share capital	18	92,319	92,319
Share premium	18	4	4
Restricted reserves	18	21,633	21,633
Unrestricted reserves (accumulated profit)	18	1,542,892	1,501,825
Interim dividends paid	18	(23,080)	-
Translation differences	18	(167)	(23,038)
Treasury shares	18	(46,303)	-
		1,587,298	**1,592,743**
Non-controlling interests		**1,162**	**14,703**
NON-CURRENT LIABILITIES			
Deferred income	19	4,716	5,866
Provisions for pensions and similar obligations	20	40,948	32,230
Other provisions	21	49,067	87,591
Financial liabilities	22	279,980	354,031
Other non-financial payables	23	38	66
Deferred tax liabilities	25	201,918	193,755
		576,667	**673,539**
CURRENT LIABILITIES			
Financial liabilities	22	209,171	219,441
Derivatives and other financial instruments	28	444	161
Trade and other payables	24	304,847	352,463
Current income tax	25	7,306	8,584
Tax payables	25	14,470	16,251
Other current liabilities		9,243	7,145
		545,481	**604,045**
Non-current liabilities held for sale		-	-
TOTAL LIABILITIES		**2,710,608**	**2,885,030**

The accompanying Notes 1 to 32 are an integral part of the consolidated balance sheet at 31 December 2011.

EBRO FOODS CONSOLIDATED GROUP
CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010
THOUSANDS OF EUROS

	Notes	2011	2010
Income (revenue)	6	1,804,111	1,688,957
Change in inventories of finished goods and work in progress		23,375	(5,944)
Capitalised in-house work on non-current assets		1,100	959
Other operating income	8	35,011	31,832
Cost of material used and other external expenses	6	(985,611)	(828,338)
Staff costs	8	(234,971)	(238,680)
Depreciation and amortisation charge	9, 10 and 11	(49,084)	(55,906)
Other operating expenses	8	(374,857)	(392,857)
PROFIT FROM OPERATIONS		**219,074**	**200,023**
Finance income	8	26,382	21,657
Finance costs	8	(24,342)	(30,759)
Impairment of goodwill	14	(176)	(177)
Share of results of associates	13	1,455	1,760
CONSOLIDATED PROFIT BEFORE TAX		**222,393**	**192,504**
Income tax	25	(70,750)	(63,532)
CONSOLIDATED PROFIT (continuing operations)		**151,643**	**128,972**
Net profit from discontinued operations	7	-	259,970
CONSOLIDATED PROFIT FOR THE YEAR		**151,643**	**388,942**
Attributable to:			
Shareholders of the Parent		**151,542**	**388,797**
Non-controlling interests		101	145
		151,643	**388,942**

	Notes	2011	2010
Earnings per share (euros):	18		
- From continuing operations			
Basic		0.994	0.840
Diluted		0.994	0.840
- Of total profit			
Basic		0.994	2.535
Diluted		0.994	2.535

The accompanying Notes 1 to 32 are an integral part of the consolidated income statement for the year ended 31 December 2011.

EBRO FOODS CONSOLIDATED GROUP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010
(THOUSANDS OF EUROS)

	Notes	2011	2010
Gains (losses) on measurement of available-for-sale financial assets	12	(61,352)	51,548
Translation differences		22,872	32,035
Translation differences reversed to profit or loss for the year		-	-
Actuarial gains and losses		(8,924)	(1,141)
Tax effect of items recognised against, or transferred from, equity		21,502	(15,012)
Net profit (loss) recognised in equity		**(25,902)**	**67,430**
Net profit for the year		**151,643**	**388,942**
Total recognised income and expense in the year	18	**125,741**	**456,372**
Attributable to:			
Shareholders of the Parent	18	125,639	456,227
Non-controlling interests	18	102	145
		125,741	**456,372**

The accompanying Notes 1 to 32 are an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2011.

EBRO FOODS CONSOLIDATED GROUP
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2011 AND 2010
THOUSANDS OF EUROS

			Equity attributable to the shareholders of the Parent									
		Non-				Restricted reserves		Unrestricted reserves				
		controlling		Share	Share	Revaluation	Legal	Accumulated	Profit	Interim dividend	Translation	Treasury
	Equity	interests	Total	capital	premium	reserve	reserve	profits	or Loss	paid	differences	shares
Balance at 31 December 2009	**1,298,160**	**17,838**	**1,280,322**	92,319	4	3,169	18,464	1,052,627	176,539	-	(55,073)	(7,727)
- Distribution of 2009 profit	-	-	-	-	-	-	-	176,539	(176,539)	-	-	-
- Dividends paid	(155,631)	(1,897)	(153,734)	-	-	-	-	(153,734)	-	-	-	-
- Purchase/sale of treasury shares (net)	7,727	-	7,727	-	-	-	-	-	-	-	-	7,727
- Gains and losses on sales of treasury shares	2,201	-	2,201	-	-	-	-	2,201	-	-	-	-
- Changes in the scope of consolidation	(1,383)	(1,383)	-	-	-	-	-	-	-	-	-	-
- Other changes	-	-	-	-	-	-	-	-	-	-	-	-
Total distribution of proft and transactions with shareholders	**(147,086)**	**(3,280)**	**(143,806)**	-	-	-	-	25,006	(176,539)	-	-	7,727
- Net profit for 2010	388,942	145	388,797	-	-	-	-	-	388,797	-	-	-
- Change in translation differences	32,035	-	32,035	-	-	-	-	-	-	-	32,035	-
- Fair value of financial instruments:	-	-	-	-	-	-	-	-	-	-	-	-
1. Unrealised gains	51,548	-	51,548	-	-	-	-	51,548	-	-	-	-
2. Realised gains/losses	-	-	-	-	-	-	-	-	-	-	-	-
- Change due to actuarial gains and losses	(1,141)	-	(1,141)	-	-	-	-	(1,141)	-	-	-	-
- Tax effect of gains and losses recognised in equity	(15,012)	-	(15,012)	-	-	-	-	(15,012)	-	-	-	-
Total profit for the year	**456,372**	**145**	**456,227**	-	-	-	-	**35,395**	**388,797**	-	**32,035**	-
Balance at 31 December 2010	**1,607,446**	**14,703**	**1,592,743**	92,319	4	3,169	18,464	1,113,028	388,797	-	(23,038)	-
- Distribution of 2010 profit	-	-	-	-	-	-	-	388,797	(388,797)	-	-	-
- Dividends paid	(62,455)	-	(62,455)	-	-	-	-	(62,455)	-	-	-	-
- Dividends paid out of 2010 profit	(23,080)	-	(23,080)	-	-	-	-	-	-	(23,080)	-	-
- Capital increase/reduction expenses	(13)	-	(13)	-	-	-	-	(13)	-	-	-	-
- Purchase/sale of treasury shares (net)	(46,303)	-	(46,303)	-	-	-	-	-	-	-	-	(46,303)
- Gains and losses on sales of treasury shares	767	-	767	-	-	-	-	767	-	-	-	-
- Changes in the scope of consolidation	(13,643)	(13,643)	-	-	-	-	-	-	-	-	-	-
Total distribution of profit and transactions with shareholders	**(144,727)**	**(13,643)**	**(131,084)**	-	-	-	-	327,096	(388,797)	(23,080)	-	(46,303)
- Net profit for 2011	151,643	101	151,542	-	-	-	-	-	151,542	-	-	-
- Change in translation differences	22,872	1	22,871	-	-	-	-	-	-	-	22,871	-
- Fair value of financial instruments:		-		-	-	-	-	-	-	-	-	-
1. Unrealised gains	(61,352)	-	(61,352)	-	-	-	-	(61,352)	-	-	-	-
2. Realised gains/losses	-	-	-	-	-	-	-	-	-	-	-	-
- Change due to actuarial gains and losses	(8,924)	-	(8,924)	-	-	-	-	(8,924)	-	-	-	-
- Tax effect of gains and losses recognised in equity	21,502	-	21,502	-	-	-	-	21,502	-	-	-	-
Total profit for the year	**125,741**	**102**	**125,639**	-	-	-	-	**(48,774)**	**151,542**	-	**22,871**	-
Balance at 31 December 2011	**1,588,460**	**1,162**	**1,587,298**	92,319	4	3,169	18,464	1,391,350	151,542	(23,080)	(167)	(46,303)

The accompanying Notes 1 to 32 are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2011.

EBRO FOODS CONSOLIDATED GROUP
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR
THE YEARS ENDED 31 DECEMBER 2011 AND 2010

THOUSANDS OF EUROS	**2011**	**2010**
Proceeds from sales and services	1,788,712	2,296,733
Payments to suppliers and employees	(1,696,766)	(1,985,678)
Interest paid	(7,061)	(10,165)
Interest received	11,127	5,820
Dividends received	1,891	1,882
Other amounts received/paid in operating activities	12,304	12,620
Income tax paid	(51,711)	(121,722)
Total net cash flows from operating activities	**58,496**	**199,490**
Investments in non-current assets	(66,596)	(69,617)
Disposals of non-current assets	7,539	17,132
Investments in financial assets	(205,535)	(47,760)
Disposals of financial assets	2,528	627,218
Other proceeds/payments relating to investing activities	8,402	4,153
Total net cash flows from investing activities	**(253,662)**	**531,126**
Treasury share transactions	(45,537)	9,928
Dividends paid to shareholders	(131,695)	(105,328)
Bank borrowing drawdowns	62,314	55,932
Repayment of bank borrowings	(144,849)	(346,710)
Other financial proceeds/payments and grants related to assets	(5,281)	1,837
Total net cash flows from financing activities	**(265,048)**	**(384,341)**
Translation differences on cash flows of foreign companies	(3,607)	(533)
INCREASE (DECREASE) in cash and cash equivalents	**(463,821)**	**345,742**
Cash and cash equivalents at beginning of year	555,707	199,930
Effect of year-end exchange rate on beginning balance	5,984	10,035
Cash and cash equivalents at end of year	**97,870**	**555,707**

The consolidated statements of cash flows for 2010 includes the cash flows relating to the discontinued operations of the dairy product business. The main aggregates included are as follows:

Total net cash flows from operating activities	-	30,352
Total net cash flows from investing activities	-	(4,681)
Total net cash flows from financing activities	-	1,491

The accompanying Notes 1 to 32 are an integral part of the consolidated statement of cash flows for the year ended 31 December 2011.

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 2010 were approved by the shareholders at the Annual General Meeting of Ebro Foods, S.A. on 15 June 2011, and were filed at the Madrid Mercantile Registry.

The distribution of profit of the Parent proposed by the directors of Ebro Foods, S.A. at the Board of Directors Meeting held on 28 March 2012 for approval by the shareholders at the Annual General Meeting is as follows:

Amounts relating only to the separate financial statements of the Parent	Amount (Thousands of euros)
Distributable profit	
Unrestricted reserves	872,283
Income statement (profit)	153,554
2011 interim dividend paid out of profit for 2011	(23,080)
	1,002,757

The consolidated profit of the Ebro Foods Group for 2011 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 0.60 per share for a total of EUR 92,309 thousand, of which EUR 0.15 per share had already been paid in 2011 and EUR 0.15 per share had been paid in January 2012, and therefore, the remainder, amounting to EUR 0.30 per share, will be settled in two payments of EUR 0.15 each, on 11 May and 11 September 2012.

Interim dividend

As indicated in the preceding paragraph, on 15 June 2011, the Board of Directors approved the payment of an interim dividend of EUR 0.15 per share, totalling EUR 23,080 thousand in 2011.

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 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. In this connection, 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.

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 2011, which were authorised for issue by the Parent's directors on 28 March 2012, 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, at the reporting date the 2011 financial statements of Ebro Foods, S.A. and of its subsidiaries and associates had 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 2011 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 2010.

Under accounting standards in force, the sale in January 2011 of 29.9% of the ownership interest in Biosearch, S.A. (see Note 7) meant that the income statement for 2010 had to be changed to disclose continuing operations separately from discontinued operations, thereby presenting uniform comparative figures with the consolidated income statement for 2011.

It was not necessary to make other significant changes to the figures for 2010.

c) Changes in the scope of consolidation

The main changes in the scope of consolidation in 2011 and 2010 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

<u>Subsidiaries</u>

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 impairment losses that might need to be recognised. 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/or 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

Cash and cash equivalents 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, in which the related funds 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 to 3.0%
Plant and machinery	2.0 to 20%
Other fixtures, tools and furniture	8 to 25%
Other items of property, plant and equipment	5.5 to 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 it should be indefinite or finite.

  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, a gain from a bargain purchase 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 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 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.

- <u>Investments</u>

  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:

either 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 consolidated 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.

or 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 2011, 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 2011 and 2010 no financial assets among the categories defined in the preceding paragraphs were reclassified.

- <u>Other receivables</u>

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 benefits 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 consolidated balance sheet to the extent that it represents a future economic benefit, in the form of refunds from the plan or a reduction in future contributions. 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 non-statutory agreements, Ebro Foods, S.A. (mainly) is obliged to pay bonuses for long service and the retirement of certain of its permanent employees who retire at the legally stipulated age or who take early retirement.

In accordance with the current collective agreements and other non-statutory agreements, the Riviana and NWP Groups and certain European Group companies (mainly) are obliged to make annual supplementary payments of various kinds and other bonuses for long service and retirement, where applicable, 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 scantly 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 scantly 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, provided that 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 at the net amount non-financial asset purchase or sale agreements settled at the net amount in 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) CO2 emission allowances

The Group recognises CO2 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 in 2010).

Without taking into account the allocations and consumption of the dairy product business, which was sold in 2010, in 2011 and 2010 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 2012 equal to 69,163 tonnes. In 2011 and 2010 the Group consumed 6,210 and 11,185 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 CO2 emissions that they are intended to cover are made.

Since 2005 companies that make CO2 emissions in the course of their business activities have had to deliver in the first few months of the following year CO2 emission allowances equal to the emissions made during the year. The obligation to deliver emission allowances for the CO2 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 CO2 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 CO2 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 2011, the provision recognised in the consolidated balance sheet in relation to the emissions made by the Group in that year amounted to EUR 88 thousand (2010: EUR 149 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 2011 are consistent with those applied in preparing the consolidated financial statements for 2010, except for the following new IFRSs and IFRICs and changes to existing standards or interpretations that came into force from 1 January 2011:

- Revision of IAS 24, Related Party Disclosures. The revised IAS 24 provides a partial exemption from certain disclosure requirements when the transactions are between government-related entities (or entities related to an equivalent government institution) and revises the scope applicable to the disclosure requirements through the inclusion in the definition of “related party” of certain relationships between joint ventures and associates of the same entity which were not explicit in the previous version of the standard.

  The entry into force of this revision did not result in any change in the related parties currently defined by the Group.

- IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments: This interpretation addresses the accounting by a debtor when all or part of a financial liability is extinguished through the issue of equity instruments to the creditor. The interpretation does not apply to transactions in situations where the counterparties in question are shareholders or related parties, acting in their capacity as such, or where extinguishing the financial liability by issuing equity shares is in accordance with the original terms of the financial liability. In all other cases, the equity instruments issued are measured at fair value at the date the liability is extinguished and any difference between this value and the carrying amount of the liability is recognised in profit or loss.

This interpretation did not give rise to a change in the Group's accounting policies and in any case, this year the Group did not perform any transactions of this type.

- Amendment to IAS 32 - Classification of Rights Issues: This amendment relates to the classification of foreign currency denominated rights issues (rights, options or warrants). Pursuant to this amendment, when these rights are offered to all owners and are to acquire a fixed number of shares in exchange for a fixed amount, they are equity instruments, irrespective of the currency in which that fixed amount is denominated and provided that other specific requirements of the standard are fulfilled.

  This amendment did not have any impact on the Group’s consolidated financial statements.

- Improvements to IFRSs (published in May 2010) These consist of a series of amendments to certain standards, the majority of which are obligatory for annual reporting periods beginning on or after 1 January 2011 although some were obligatory for periods beginning on or after 1 July 2010.

  The adoption of these standards, interpretations and amendments had no material impact on the Group’s financial position or results.

- Amendments to IFRIC 14 - Prepayments of a Minimum Funding Requirement. The prepayment of minimum funding requirement contributions may give rise to an asset.

  This amendment did not have any impact on the Group’s consolidated financial statements.

The Group did not opt for the early application 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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (THOUSANDS OF EUROS)

Standards and amendments to standards		Obligatory application in annual reporting periods beginning on or after
Approved for use in the European Union		
Amendment to IFRS 7, Financial Instruments: Disclosures	Extends and reinforces the disclosures on transfers of financial assets	Annual reporting periods beginning on or after 1 July 2011
Not yet approved for use in the European Union		
IFRS 9, Financial Instruments: Classification and Measurement.	Replaces the IAS 39 classification, measurement and derecognition requirements for financial assets and liabilities.	Annual reporting periods beginning on or after 1 January 2015
Amendments to IAS 12, Income Taxes - Deferred Taxes Arising from Investment Property	On the measurement of deferred taxes arising from investment property using the fair value model in IAS 40.	Annual reporting periods beginning on or after 1 January 2012
IFRS 10, Consolidated Financial Statements	Supersedes the requirements relating to consolidated financial statements in IAS 27.	Annual reporting periods beginning on or after 1 January 2013
IFRS 11, Joint Arrangements	Supersedes IAS 31 on joint ventures.	Annual reporting periods beginning on or after 1 January 2013
IFRS 12, Disclosure of Interests in Other Entities	Single IFRS presenting the disclosure requirements for interests in subsidiaries, associates, joint arrangements and unconsolidated entities.	Annual reporting periods beginning on or after 1 January 2013
IFRS 13, Fair Value Measurement	Sets out a framework for measuring fair value.	Annual reporting periods beginning on or after 1 January 2013
IAS 27 (Revised), Separate Financial Statements	The IAS is revised, since as a result of the issue of IFRS 10 it applies only to the separate financial statements of an entity.	Annual reporting periods beginning on or after 1 January 2013
IAS 28 (Revised), Investments in Associates and Joint Ventures	Revision in conjunction with the issue of IFRS 11, Joint Arrangements.	Annual reporting periods beginning on or after 1 January 2013
Amendments to IAS 1, Presentation of Items of Other Comprehensive Income	Minor amendments relating to the presentation of items of other comprehensive income.	Annual reporting periods beginning on or after 1 July 2012
Amendments to IAS 19, Employee Benefits	The amendments affect mainly defined benefit plans since one of the major changes is the elimination of the “corridor”.	Annual reporting periods beginning on or after 1 January 2013
Amendment to IAS 32, Offsetting Financial Assets and Financial Liabilities	Additional clarifications to the rules for offsetting financial assets and financial liabilities under IAS 32 and introduction of new related disclosures under IFRS 7.	Annual reporting periods beginning on or after 1 January 2014
Amendments to IFRS 7	Offsetting Financial Assets and Financial Liabilities (issued December 2011).	Annual reporting periods beginning on or after 1 January 2013
IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine	This International Financial Reporting Interpretations Committee addresses the accounting treatment of the waste removal costs incurred in surface mining.	Annual reporting periods beginning on or after 1 January 2013

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, except in the following cases, the impact or amendment of which could be significant.

- IFRS 9, Financial Instruments: Classification and Measurement

  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, in relation to 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 asset contracts.

  In relation to financial liabilities, the classification categories proposed by IFRS 9 are similar to those currently contained in IAS 39 and, therefore, there should not be any very significant differences, except for the requirement to recognise fair value changes due to own credit risk in equity, in the case of the fair value option for financial liabilities.

  At the reporting date, the future impact of the adoption of this standard had still not been analysed.

- IFRS 10, Consolidated Financial statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interests in Other Entities, IAS 27 (Revised) Separate Financial Statements and IAS 28 (Revised), Investments in Associates and Joint Ventures.

  IFRS 10 modifies the current definition of control. The new definition of control sets out the following three elements of control: power over the investee; exposure, or rights, to variable returns from the investment and the ability to use that power to affect the returns that it receives. IFRS 11, Joint Arrangements supersedes IAS 31. The fundamental change introduced by IFRS 11 with respect to the current standard is the elimination of the option of proportionate consolidation for jointly controlled entities, which will now be accounted for using the equity method.
  The Group is analysing how the control relating to these new standards will affect the consolidated companies as a whole, but, in theory, no significant changes with respect to the current situation are expected to arise.

  IAS 27 and IAS 28 are revised in conjunction with the issue of the aforementioned new IFRSs.

  Lastly, IFRS 12 is a comprehensive disclosure standard setting out the disclosure requirements for interests in other entities (whether these be subsidiaries, associates, joint ventures or other interests) and including new disclosure requirements. Accordingly, its entry into force will foreseeably give rise to an increase in the disclosures that the Group has been making, i.e., those currently required for interests in other entities and other investment vehicles.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (THOUSANDS OF EUROS)

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	% of ownership		Parent			
AND ASSOCIATES	12/31/11	12/31/10	12/31/11	12/31/10	Location	Line of business
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
Biosearch, S.A. (**B**)	-	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	Oporto (Portugal)	Property
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 Teigw aren Gmbh (Birkel)	100.0%	100.0%	EF/Boost	EF	Germany	Production and sale of pasta and sauces
Azucarera Energías, S.L.	60.0%	60.0%	EF	EF	Madrid (Spain)	Combined heat and pow er generation
Netw orks Meal Solutions, S.A. (NMS)	100.0%	100.0%	EF	EF	Madrid (Spain)	Dormant
JJ. Softw are de Medicina, S.A. **(A)**	26.8%	26.8%	NMS	NMS	Madrid (Spain)	Dormant
Fundación Ebro Foods	100.0%	100.0%	EF	EF	Madrid (Spain)	Foundation
Ebro Financial Corporate Services, S.L.	100.0%	-	EF	-	Madrid (Spain)	Insurance and finance
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%	Birkel	HF	Hamburg (Germany)	Ow nership 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%	Birkel	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
Arrozeíras 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

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SUBSIDIARIES AND ASSOCIATES	% of ownership		Parent		Location	Line of business
	12/31/11	12/31/10	12/31/11	12/31/10		
TBA Suntra Beheer, B.V. (Group)	100.0%	-	HF	-	The Netherlands and Belgium	Production and sale of rice
TBA Suntra UK, Ltd.	100.0%	-	HF	-	Goole (UK)	Production and sale of rice
Ebro Foods Netherland, B.V. (EFN)	100.0%	-	HF	-	Amsterdam (The Netherlands)	Investment management
Lassie Netherland, B.V.	100.0%	-	EFN	-	Amsterdam (The Netherlands)	Production and sale of rice
Lassie, B.V.	100.0%	-	EFN	-	Amsterdam (The Netherlands)	Industrial operations
Lassie Property, B.V.	100.0%	-	EFN	-	Amsterdam (The Netherlands)	Industrial operations
Mediterranean Foods Label, B.V.	100.0%	-	EFN	-	Amsterdam (The Netherlands)	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
Vitasan, S.L.	100.0%	100.0%	HR	HR	Madrid (Spain)	Sale of rice
Yofres, S.A.	100.0%	100.0%	HR	HR	Seville (Spain)	Sale of rice
Herba Trading, S.A.	100.0%	100.0%	HR	HR	Seville (Spain)	Sale of rice
Formalac, S.L.	100.0%	100.0%	HR	HR	Seville (Spain)	Sale of rice
Eurodairy, S.L.	100.0%	100.0%	HR	HR	Seville (Spain)	Sale of rice
Española de I+D, S.A.	60.0%	60.0%	HR	HR	Valencia (Spain)	Development and marketing of new products
American Rice, Inc. (ARI)	100.0%	-	Riviana	-	Houston (US)	Production and sale of rice
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 **(A)**	50.0%	50.0%	Riviana	Riviana	Houston (US)	Production and sale of rice
South La Fourche, Inc **(A)**	50.0%	50.0%	Riviana	Riviana	Houston (US)	Farming
N&C Boost N. V. (N.C. Boost)	100.0%	100.0%	R. Int.	R. Int.	Antwerp (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	Lyon (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%	NWP	NWP	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	0.0%	100.0%	Birkel	Birkel	Waren (Germany)	Production and sale of pasta and sauces

(A) Associates accounted for using the equity method.

(B) The percentage of control held at 31 December 2010 by Ebro Foods, S.A. over Biosearch, S.A. (formerly Puleva Biotech, S.A.) of 50.90% was considered to be a controlling interest and, therefore, it was used in the full consolidation of Biosearch, S.A. However, on 13 January 2011, a portion of this company was disposed of (see Notes 5 and 7). As a result of this sale, Ebro Foods, S.A. is no longer a member of the governing bodies or management of Biosearch, S.A., which is now recognised as an available-for-sale financial asset, rather than an investment in a Group company.

None of the subsidiaries and associates is listed on the stock exchange. The financial statements of all the consolidated companies were at 31 December 2011 and 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (THOUSANDS OF EUROS)

5. MOST SIGNIFICANT CORPORATE TRANSACTIONS (BUSINESS COMBINATIONS AND/OR SALES) IN 2011 AND 2010 AND EFFECT ON COMPARABILITY

5.1 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.

5.2 Intra-Group transactions in 2011

In 2011 the German subsidiaries were restructured. Thus, Euryza, Gmbh (formerly wholly owned by Boost Nutrition, C.V.) and Herba Germany, Gmbh (formerly wholly owned by Herba Foods, S.L.) became wholly owned by Birkel Teigwaren, Gmbh. Currently, the direct shareholders of Birkel Teigwaren, Gmbh are Ebro Foods, S.A. and Boost Nutrition, C.V., although this restructuring has no impact whatsoever on the consolidated financial statements of the Ebro Foods Group, since both before and after this restructuring, the Group had 100% control over all of the companies involved. There were no other significant intra-Group corporate transactions in 2011.

5.3 Corporate transactions affecting the scope of consolidation in 2011 and 2010 and effect on comparability. Changes in the scope of consolidation

In 2010, in addition to the matters described in Note 5.1 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 products	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 completion of the sale was ultimately subject to approval by the European competition authorities, which was granted in August 2010 and the sale was executed on 2 September 2010. Accordingly, the income and expenses of the dairy product business for the first eight months of 2010 were reclassified and presented in the accompanying consolidated income statement for 2010 as net profit or loss from discontinued operations (see Note 7).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (THOUSANDS OF EUROS)

In 2011, in addition to the matters described in Note 5.2 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 2011:			
Company affected	**Subgroup**	**%**	**Comments**
Rice business of the SOS Group	Rice	100%	Acquisition of all the shares of various companies and businesses
Strom Products, Ltd. (No Yolks)	Pasta	100%	Acquisition of this company's business
Suntra Group	Rice	100%	Acquisition of all the shares
Ebro Financial Corporate Services, S.L.	Other	100%	Incorporation of the company
Exclusions from the scope of consolidation in 2011:			
Company affected	**Subgroup**	**%**	**Comments**
Biosearch, S.A.	Other	50.90%	Partial sale and exclusion from consolidation.
Mowe Teigwaren Gmbh	Pasta	100%	Sale of entire ownership interest

- Except for the sale of Biosearch, S.A., the exclusions from the scope of consolidation in 2011 in the foregoing table did not have a significant effect on the comparability of 2011 with 2010.

  Exclusion of Biosearch, S.A. from the scope of consolidation

  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 of EUR 8,281 thousand. Since the shares were sold at their underlying carrying amount (EUR 0.48 per share), this sale did not have any impact on the consolidated financial statements for 2011. As a result of this sale, the Parent is no longer a member of the managing bodies of Biosearch, S.A., which ceased to be considered a group company investment and was recognised as an available-for-sale financial asset (see Note 12). Following this transaction, Ebro Foods, S.A. owned 12,117,806 shares, of which 1,355,557 shares had been sold up until 31 December 2011, with 10,762,249 shares remaining at that date, representing 18.65% of the share capital of Biosearch, S.A. For the purposes of comparison and consistency of the 2011 income statement with the same period in 2010, the income and expenses of Biosearch, S.A. for 2010 were reclassified and presented in the accompanying consolidated income statement as net profit or loss from discontinued operations (see Note 7).

- The most significant inclusions in the scope of consolidation in 2011, as shown in the foregoing table, in terms of their impact on the comparability of the consolidated financial statements are as follows:

Rice business of the SOS Group

On 31 March 2011, Ebro Foods, S.A. (Ebro) and SOS Corporación Alimentaria, S.A. (Deoleo) entered into a framework agreement for the purchase by Ebro of the Deoleo rice businesses in Spain, US, Saudi Arabia and the Netherlands, including the SOS trademark throughout the world. This agreement supplemented that which was signed on 30 March 2011 for the purchase of the Saludaes trademark in Portugal. These acquisitions were made for a total amount of EUR 203.5 million.

Following approval by the US competition authorities in June 2011, the purchase of the US business was formalised at the end of July. The remainder of the transaction was finally completed and executed in September 2011, following approval by the Spanish competition authorities.

Strom Products, Ltd. (No Yolks) business

On 21 December 2011, Ebro Foods, S.A. entered into an agreement with the US company Strom Products Ltd. to acquire its pasta business in the US and Canada for USD 50 million. The agreement included the purchase of the No Yolks and Wacky Mac brands relating mainly to the healthy pasta line of business, which was executed (paid) on 30 December 2011. No Yolks, which has operated in the market since 1976, is the leader in the US and Canada in the yolk-free noodles and fibre-enriched dry pasta segments, with a market share of 15.6% and 29.4%, respectively in the aforementioned countries. Wacky Mac's business focuses on vegetable-based, ready-made pasta dishes known as "dinners"· in the US.

The recognition and measurement of net assets acquired in this business combination were in progress at the date of authorisation for issue of the consolidated financial statements and, consequently, the recognition thereof should be considered to be provisional, although no significant differences with respect to their definitive recognition are expected to arise.

Suntra Group

The Suntra Group, composed of various companies located in the Netherlands, Belgium and the UK, was acquired in July 2011. This group engages in the production and marketing (industrial sales) of certain types of rice. 50% was acquired directly and a purchase option was acquired for the remaining 50% and, therefore, all of this group's shares were included in the scope of consolidation as a company now wholly owned by the Group and a non-current financial liability was recognised for the estimated cost of the purchase option on the remaining 50%.

The following table shows the effects of these inclusions in the scope of consolidation in 2011:

	SOS Business		No Yolks Business		SUNTRA Group			
	Inclusion date		Inclusion date		Inclusion date			
	08/31/2011		12/30/2011		07/01/11		TOTAL	
Thousands of Euros	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Intangible assets	48,073	52,835	2,500	38,645	37	37	50,610	91,517
Property, plant and equipment	57,418	62,799	-	-	3,513	3,513	60,931	66,312
Financial assets	-	-	-	-	102	102	102	102
Deferred tax assets	1,878	3,048	-	-	-	-	1,878	3,048
Inventories	38,902	38,902	-	-	4,699	4,699	43,601	43,601
Other current assets	57,448	57,448	-	-	11,078	11,078	68,526	68,526
Total assets	**203,719**	**215,032**	**2,500**	**38,645**	**19,429**	**19,429**	**225,648**	**273,106**
Deferred income	1,596	1,596	-	-	-	-	1,596	1,596
Provisions for pensions and similar obligations	502	502	-	-	-	-	502	502
Non-current financial liabilities	19,494	19,494	-	-	946	946	20,440	20,440
Deferred tax liabilities	8,938	8,895	-	-	51	51	8,989	8,946
Current financial liabilities	2,414	2,414	-	-	9,830	9,830	12,244	12,244
Trade payables	14,404	14,404	-	-	2,113	2,113	16,517	16,517
Other current liabilities	5,248	5,248	-	-	3,171	3,171	8,419	8,419
Total liabilities	**52,596**	**52,553**	**-**	**-**	**16,111**	**16,111**	**68,707**	**68,664**
Total net assets and liabilities	**151,123**	**162,479**	**2,500**	**38,645**	**3,318**	**3,318**	**156,941**	**204,442**
Goodwill		41,023		-		11,205		52,228
Total investment		**203,502**		**38,645**		**14,523**		**256,670**
Financed with financial liabilities and cash		203,502		38,645		14,523		256,670
Total investment		**203,502**		**38,645**		**14,523**		**256,670**
Net effect acquired with the subsidiary		17,395		-		(7,020)		10,375
Sales since acquisition date		86,348		-		31,527		117,875
Net profit contributed since acquisition date		4,487		-		1,868		6,355
Sales since 1 January (a)		219,611		28,806		62,874		311,291
Net profit contributed since 1 January (a)		15,981		4,621		3,776		24,378

(a) Estimated as if it had been acquired on 1 January 2011

5.4 *Investment commitments at 2010 year-end*

In relation to the takeover bid launched on 20 October 2010 to acquire the Australian Group - SunRice, at the General Meeting of Ricegrowers Limited SunRice held on 31 May 2011, the shareholders resolved not to accept the bid launched by Ebro Foods, S. A. to acquire the company. In total, 67% of the class A shareholders and 76% of the class B shareholders voted in favour of the bid made by Ebro Foods, S.A. However, the qualified majority of 75% required in both series in order for the acquisition to go ahead was not reached.

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.

Following the sale of the dairy product business in 2010, the Ebro Foods Group continues to be divided into the following business segments 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 business 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 brand portfolio 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 and in part of Europe in rice for direct consumption and industrial uses.

As indicated previously, in 2011 the Ebro Group acquired: (i) the SOS trademark worldwide; (ii) the assets of SOS´s rice business in Spain; (iii) the Dutch companies operating the rice business in the Netherlands under the Lassie brand; (IV) the Saludaes trademark in Portugal; and (V) the rice businesses in the US and in the Middle East through American Rice Inc.

Thus, the main rice brands of the Ebro Group is Spain are SOS, Brillante, La Fallera, La Cigala and Rocío, which jointly represent a market share of almost 24% in terms of volume and 32% in terms of value in the domestic retail industry.

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.

The purchase of American Rice, Inc. in 2011 (as part of SOS´s rice business), Ebro´s extensive portfolio in the US (with the Mahatma, Minute, Success, Carolina, Gourmet House brands, inter alia) represented a further addition to a wide array of domestic and international brand names such as Abu Bint, Blue Ribbon, Green Peacock, Comet and Golden Sail, which have an important presence in the US and the Middle East. Therefore, the inclusion of American Rice, Inc. in Ebro's rice division consolidates the company's position in the US retail market, achieving a 27.6% market share in terms of volume.

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 for 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 the leading company in the dry pasta industry 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).

In addition, the agreement reached with Strom Products Ltd. at the end of December 2011 to acquire its pasta and noodles business in the US and Canada included the No Yolks and Wacky Mac brand names which operate mainly in the healthy pasta and noodles markets.

No Yolks, which has operated in the market since 1976, is the leader in the US and Canada in the yolk-free noodles and fibre-enriched dry pasta segments, with a market share of 15.6% and 29.4%, respectively in the aforementioned countries. Wacky Mac's business is focused on vegetable-based and ready-made pasta dishes known as "dinners" in the US.

Other businesses and/or activities:

The other businesses and/or activities include most notably the following:

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (THOUSANDS OF EUROS)

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, American Rice and NWP.
- Rest of the world - basically the rice business of Herba, plus a portion of the exports of Panzani and of American Rice.

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:

2011 - Geographical area	Spain	Europe	Americas	Other	TOTAL
Segment revenue	150,485	982,956	699,033	97,400	1,929,874
Inter-segment sales	(3,681)	(61,573)	(59,864)	(645)	(125,763)
Total revenue	**146,804**	**921,383**	**639,169**	**96,755**	**1,804,111**
Intangible assets	32,230	134,958	225,476	61	392,725
Property, plant and equipment	73,398	204,418	212,619	17,325	507,760
Other assets	329,150	842,081	597,269	41,623	1,810,123
Total assets	**434,778**	**1,181,457**	**1,035,364**	**59,009**	**2,710,608**
Non-current asset additions	**5,362**	**33,853**	**29,384**	**290**	**68,889**

2010 - Geographical area	Spain	Europe	Americas	Other	TOTAL
Segment revenue	105,519	925,035	685,738	76,649	1,792,941
Inter-segment sales	(3,801)	(58,218)	(41,965)	-	(103,984)
Total revenue	**101,718**	**866,817**	**643,773**	**76,649**	**1,688,957**
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
Total assets	**835,804**	**1,119,553**	**884,027**	**45,646**	**2,885,030**
Non-current asset additions	**8,667**	**27,773**	**30,949**	**508**	**67,897**

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 2011 and 2010.

INFORMATION ON BUSINESS SEGMENTS - CONTINUING OPERATIONS

EBRO FOODS GROUP (In thousands of euros)	TOTAL CONSOLIDATED FIGURES		Rice business		Pasta business		EF Holding company		Other businesses and consolidation adjustments	
BALANCE SHEET	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010
Intangible assets	392,725	293,461	158,618	111,949	220,930	175,890	12,899	1,694	278	3,928
Property, plant and equipment	507,760	449,594	277,849	206,615	218,711	211,584	2,727	3,214	8,473	28,181
Investment property	31,922	31,252	30,698	28,960	1	1	11,973	12,031	(10,750)	(9,740)
Financial assets	56,134	134,782	941	8,644	4,546	5,789	50,525	120,131	122	218
Investments in associates	2,740	3,097	45,702	42,037	31,776	31	1,293,192	1,173,429	(1,367,930)	(1,212,400)
Deferred tax assets	55,582	64,154	17,811	11,758	24,169	32,721	15,287	16,829	(1,685)	2,846
Goodwill	818,205	767,211	308,133	246,909	509,944	508,554	-	-	128	11,748
Other non-current assets	-	-	-	-	-	-	-	-	-	-
Receivable from Group companies	-	-	83,331	42,663	174,112	126,714	158,281	15,744	(415,724)	(185,121)
Other current assets	845,540	1,141,479	455,847	352,797	332,458	323,367	41,742	439,238	15,493	26,077
	2,710,608	**2,885,030**	**1,378,930**	**1,052,332**	**1,516,647**	**1,384,651**	**1,586,626**	**1,782,310**	**(1,771,595)**	**(1,334,263)**
Assets classified as held for sale	-	-							-	-
Total assets	**2,710,608**	**2,885,030**							**(1,771,595)**	**(1,334,263)**
Total equity	1,588,460	1,607,446	853,187	655,000	998,025	1,017,013	1,075,236	1,098,857	(1,337,988)	(1,163,424)
Deferred income	4,716	5,866	4,519	1,684	-	-	-	-	197	4,182
Provisions for pensions and obligations	40,948	32,230	18,522	12,602	21,077	18,422	1,252	854	97	352
Other provisions	49,067	87,591	3,770	3,521	7,874	9,236	37,369	74,061	54	773
Non-current and current financial liabilities	489,151	573,472	124,554	167,589	74,108	27,725	290,006	365,379	483	12,779
Other non-financial accounts payable	38	66	38	41	-	-	-	-	-	25
Deferred tax liabilities	201,918	193,755	76,848	54,816	87,603	82,219	37,487	56,740	(20)	(20)
Payable to Group companies	-	-	163,877	24,135	145,160	6,912	131,427	168,667	(440,464)	(199,714)
Other current liabilities	336,310	384,604	133,615	132,944	182,800	223,124	13,849	17,752	6,046	10,784
	2,710,608	**2,885,030**	**1,378,930**	**1,052,332**	**1,516,647**	**1,384,651**	**1,586,626**	**1,782,310**	**(1,771,595)**	**(1,334,263)**
Liabilities associated with assets classified as held for sale	-	-							-	-
Total equity and liabilities	**2,710,608**	**2,885,030**							**(1,771,595)**	**(1,334,263)**
Investments in the year	68,889	67,897	27,582	29,032	40,685	34,950	481	3,336		
Capital employed	1,007,686	995,309	629,136	506,347	456,827	442,061	18,599	27,666		
ROCE	22,3	21,3	18,8	19,6	26,1	30,3	-	-		
Gearing	-	-								
Average headcount for the year	4,920	4,850								
Stock market data:										
Number of shares (in thousands)	153,865	153,865								
Market capitalisation at year-end	2,208	2,436	Millions of euros							
Earnings per share	0.99	2.53								
Dividend per share	0.87	0.7								
Underlying carrying amount per share	10.32	10.35								

INFORMATION ON BUSINESS SEGMENTS - CONTINUING OPERATIONS

EBRO FOODS GROUP (In thousands of euros)	TOTAL CONSOLIDATED FIGURES		Rice business		Pasta business		EF Holding company		Other businesses and consolidation adjustments	
INCOME STATEMENT	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010	12/31/2011	12/31/2010
External revenue	1,804,111	1,688,957	868,276	766,505	911,166	898,803	800	1,098	23,869	22,551
Net inter-segment revenue		-	52,483	45,053	17,131	17,298	4,019	3,486	(73,633)	(65,837)
Total revenue	**1,804,111**	**1,688,957**	**920,759**	**811,558**	**928,297**	**916,101**	**4,819**	**4,584**	**(49,764)**	**(43,286)**
Changes in inventories	23,375	(5,944)	20,156	(4,354)	3,078	(1,971)	-	-	141	381
In-house work on non-current assets	1,100	959	4	18	1,096	941	-	-	-	-
Other operating income	35,011	31,832	6,864	23,333	6,425	7,926	23,443	521,184	(1,721)	(520,611)
Materials used and other expenses	(985,611)	(828,338)	(561,846)	(445,948)	(477,481)	(430,890)	-	-	53,716	48,500
Staff costs	(234,971)	(238,680)	(97,337)	(92,687)	(124,182)	(131,165)	(10,496)	(11,574)	(2,956)	(3,254)
Depreciation and amortisation charge	(49,084)	(55,906)	(22,255)	(28,251)	(25,393)	(26,749)	(1,252)	(709)	(184)	(197)
Other operating expenses	(374,857)	(392,857)	(163,335)	(164,172)	(204,042)	(220,471)	(25,670)	(50,308)	18,190	42,094
Profit/Loss from operations	**219,074**	**200,023**	**103,010**	**99,497**	**107,798**	**113,722**	**(9,156)**	**463,177**	**17,422**	**(476,373)**
Finance income	26,382	21,657	11,552	15,158	3,865	1,778	154,147	17,923	(143,182)	(13,202)
Finance costs	(24,342)	(30,759)	(16,312)	(14,995)	(4,477)	(4,944)	(5,856)	(47,375)	2,303	36,555
Impairment of goodwill	(176)	(177)	(176)	(177)	-	-	-	-	-	-
Share of results of associates	1,455	1,760	4,483	1,752	-	-	-	-	(3,028)	8
Consolidated profit/loss before tax	**222,393**	**192,504**	**102,557**	**101,235**	**107,186**	**110,556**	**139,135**	**433,725**	**(126,485)**	**(453,012)**

7. DISCONTINUED OPERATIONS

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. As a result of this sale, the Parent no longer participates in the managing bodies of Biosearch, S.A., which ceased to be considered a group company investment and was recognised as an available-for-sale financial asset (see Notes 5 and 12).

For the purposes of comparison and consistency of the 2011 income statement with the same period in 2010, the income and expenses of Biosearch, S.A. for 2010 were reclassified and presented in the accompanying consolidated income statement as net profit or loss from discontinued operations, the impact of which is summarised as follows:

Income and expense from discontinued operations

Thousands of euros	2010		
	Biosearch	Dairy product business	Sugar business
	12 months	8 months	Various
- Income (revenue)	13,066	292,002	
- Changes in inventories	1,042	(955)	
- Capitalised expenses of in-house work on non-current assets	-	948	
- Other operating income	2,576	3,746	
	16,684	295,741	-
- Materials used and other expenses	(3,100)	(167,791)	
- Staff costs	(5,163)	(31,907)	
- Depreciation and amortisation charge	(2,723)	(9,555)	
- Outside services	(4,151)	(51,867)	
- Other operating expenses	(533)	(7,259)	
	(15,670)	(268,379)	-
Profit from operations	**1,014**	**27,362**	**-**
Net finance costs	(156)	909	
Financial profit	**(156)**	**909**	**-**
Impairment of goodwill		(5)	
Consolidated profit before tax	**858**	**28,266**	**-**
Income tax	(413)	(5,295)	
Consolidated profit	**445**	**22,971**	**-**
- Gain on the sale of the business before income tax		405,257	(7,999)
- 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 19		(28,231)	(13,064)
- Income tax on the gain on the sale		(119,051)	(358)
	445	**280,946**	**(21,421)**
Total net profit from discontinued operations	**259,970**		

The dairy product business column relates to the income and expenses of the first eight months of 2010 of the dairy product business until it was sold in September 2010, and, consequently, in that period in 2010 it was still recognised as a discontinued operation.

The sugar business column relates to certain income and expenses that arose in 2010 as a result of events that took place during that year which affected the sale of the sugar business in 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (THOUSANDS OF EUROS)

8. OTHER INCOME AND EXPENSES

8.1 Other operating income

	2011		2010	
Government grants (related to income and to assets)		1,964		565
Income due to CO2 emission allowances		88		149
Other current operating income		8,137		7,814
Gains on non-current asset disposals		2,927		15,376
Gains on disposals of investment property		-		227
Gains on disposals of equity investments		33		-
Income from reversals of impairment losses on non-current assets		-		2,424
Other income		21,862		5,277
Income from litigation (and/or provisions reserved)	3,543		3,123	
Reversal of the provision for guarantees relating to the sale of the sugar business	17,638		-	
Other minor items of income	681		2,154	
		35,011		31,832

"Other Operating Income" in 2011 includes the following non-recurring items:

- Gains of EUR 2,927 thousand on the sale of property, plant and equipment and the sale of CO2 emission allowances.
- Indemnities received amounting to EUR 2,501 thousand from the resolution of litigation proceedings.
- Reversal of provisions for litigation and disputes for which favourable decisions were handed down, amounting to EUR 18,680 thousand, the most significant of which related to guarantees provided at the time for the sale of the sugar business (see Note 21).
- The remaining operating income related to grants and other more minor amounts of current operating income.

"Other Operating Income" in 2010 included the following non-recurring items:

- Gains 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 remaining operating income related to grants, income from CO2 emission allowances and other current operating income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (THOUSANDS OF EUROS)

8.2 Other operating expenses

		2011		2010
External expenses and outside services		(264,490)		(267,112)
Advertising expenditure		(69,454)		(80,444)
Research and development expenditure		(2,099)		(1,855)
Expenses relating to CO2 emission allowances		(88)		(149)
Taxes other than income tax		(8,956)		(8,569)
Losses on disposals of non-current assets and impairment losses		(12,422)		(11,070)
Other expenses and provisions recognised		(17,348)		(23,658)
Provision for litigation and disputes	(1,178)		(4,594)	
Industrial restructuring costs	(9,832)		(15,745)	
Expenses relating to acquisitions of new businesses and investments	(4,157)		-	
Other more minor expense items	(2,181)		(3,319)	
		(374,857)		(392,857)

"Other Operating Expenses" in 2011 include the following non-recurring items:

- Losses and expenses of EUR 5,654 thousand arising from the sale of one of the pasta plants in Germany, which included restructuring costs of staff from other German production centres.
- Losses of EUR 954 thousand on the derecognition or disposal of various items of industrial equipment and fixtures.
- Recognition of a EUR 5,814 thousand impairment loss on property, plant and equipment, the most significant portion of which, amounting to EUR 5,114 thousand, related to the rice plant in Egypt.
- Period provision of EUR 1,178 thousand to cover certain legal proceedings in progress.
- Expenses of EUR 9,832 thousand arising from various industrial restructuring processes, the most significant portion of which, amounting to EUR 7,061 thousand, related to labour force restructuring.

"Other Operating Expenses" in 2010 included the following non-recurring 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, the most significant portion of which, amounting to EUR 6,326 thousand, was recognised due to the forecast closure of the Houston (US) plant in the second half of 2010.
- Period provision of EUR 4,594 thousand for certain legal proceedings in process.
- Expenses of EUR 15,745 thousand arising from various industrial restructuring processes, the most significant portion of which, amounting to EUR 11,023 thousand, related to the pasta business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (THOUSANDS OF EUROS)

8.3 Finance costs and finance income

	2011	2010
Finance costs		
On debts to third parties	(9,093)	(11,456)
On financial adjustment of provisions for litigation	(1,541)	(1,591)
On financial cost of pensiones and similar obligations	(2,040)	(917)
Losses on derecognition or disposal of financial assets and liabilities	(67)	-
Provisions for impairment of financial assets	(1,452)	(1,886)
Expenses and losses relating to derivatives and financial instruments	(1,767)	(829)
Exchange losses	(8,382)	(14,080)
	(24,342)	(30,759)
Finance income		
On investments with third parties	10,283	7,775
On financial income from pensions and similar obligations	1,358	25
Gains on derecognition or disposal of financial assets and liabilities	3,742	12
Reserved impairment losses on financial assets	315	907
Gains on derivatives and financial instruments	1,933	982
Exchange gains	8,751	11,956
	26,382	**21,657**
Net financial profit/loss	**2,040**	**(9,102)**

8.4 Staff costs

	2011	2010
Wages and salaries	(179,346)	(184,605)
Other employee benefit costs	(17,196)	(16,204)
Social security and similar costs	(32,963)	(31,717)
Termination benefits	(257)	(23)
Post-employment benefit and similar costs	(5,091)	(6,131)
	(234,971)	**(238,680)**

The detail of the average number of employees in 2011 and 2010 and of the 2011 and 2010 year-end headcounts at the Group companies (taking into account the changes in the scope of consolidation during the year) is as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (THOUSANDS OF EUROS)

AVERAGE HEADCOUNT

AVERAGE NUMBER	MEN		WOMEN		
2011	**PERMANENT**	**TEMPORARY**	**PERMANENT**	**TEMPORARY**	**TOTAL**
Executives	107	-	36	-	143
Mid-management	355	13	126	17	511
Clerical staff	206	15	325	33	579
Assistants	518	183	168	50	919
Sales personnel	132	6	50	2	190
Other staff	1,530	584	345	119	2,578
TOTAL	**2,848**	**801**	**1,050**	**221**	**4,920**

AVERAGE NUMBER	MEN		WOMEN		
2010	**PERMANENT**	**TEMPORARY**	**PERMANENT**	**TEMPORARY**	**TOTAL**
Executives	127	1	52	-	180
Mid-management	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
TOTAL	**2,966**	**738**	**1,108**	**172**	**4,984**
Exclusion of Biosearch, S.A.	(78)	(9)	(41)	(6)	(134)
TOTAL	**2,888**	**729**	**1,067**	**166**	**4,850**

FINAL HEADCOUNT

YEAR-END HEADCOUNT	MEN		WOMEN		
2011	**PERMANENT**	**TEMPORARY**	**PERMANENT**	**TEMPORARY**	**TOTAL**
Executives	108	-	37	-	145
Mid-management	355	13	128	16	512
Clerical staff	209	15	347	36	607
Assistants	473	257	131	86	947
Sales personnel	133	5	52	1	191
Other staff	1,568	403	349	100	2,420
TOTAL	**2,846**	**693**	**1,044**	**239**	**4,822**

YEAR-END HEADCOUNT	MEN		WOMEN		
2010	**PERMANENT**	**TEMPORARY**	**PERMANENT**	**TEMPORARY**	**TOTAL**
Executives	125	1	52	-	178
Mid-management	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
TOTAL	**2,873**	**524**	**1,053**	**142**	**4,592**
Exclusion of Biosearch, S.A.	(72)	(8)	(33)	(6)	(119)
TOTAL	**2,801**	**516**	**1,020**	**136**	**4,473**

9. INTANGIBLE ASSETS

The detail of the consolidated Group's intangible assets at 31 December 2011 and 2010, of the related accumulated amortisation and impairment losses and of the changes therein each year is as follows (in thousands of euros):

Net values	Development expenditure	Trademarks and patents	Computer software	CO2 and other allowances	Intangibles in progress	Total
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**
Balance at 31 December 2011	11	335,970	5,999	1,415	49,330	**392,725**

Gross values	Development expenses	Trademarks and patents	Computer softwre	CO2 and other rights	Intangibles in progress	Total
Balance at 31 December 2009	**10,414**	**289,931**	**32,130**	**2,578**	**937**	**335,990**
Business combinations	-	-	-	-	-	-
Sales (disposals) of businesses	(9,210)	(9,348)	(10,331)	(1,632)	(772)	(31,293)
Increases in 2010	1	197	3,294	2,304	4,871	10,667
Decreases in 2010	(216)	(27)	(4)	(2,663)	-	(2,910)
Translation differences	-	12,328	816	-	18	13,162
Assets classified as held for sale	-	-	-	-	-	-
Transfers	(34)	3	(4)	-	-	(35)
Balance at 31 December 2010	**955**	**293,084**	**25,901**	**587**	**5,054**	**325,581**
Business combinations	-	52,834	160	-	38,645	91,639
Sales (disposals) of businesses	(681)	(4,952)	(157)	-	-	(5,790)
Increases in 2011	-	12	1,437	2,225	5,624	9,298
Decreases in 2011	(78)	(220)	(339)	(1,436)	-	(2,073)
Translation differences	-	6,371	471	75	7	6,924
Assets classified as held for sale	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Balance at 31 December **2011**	**196**	**347,129**	**27,473**	**1,451**	**49,330**	**425,579**

Accumulated amortisation and impairment losses	Development expenditure	Trademarks and patents	Computer software	CO2 and other allowances	Intangibles in progress	Total
Balance at 31 December 2009	**(6,222)**	**(10,574)**	**(23,649)**	**(23)**	**-**	**(40,468)**
Business combinations	-	-	-	-	-	-
Sales (disposals) of businesses	5,983	178	9,207	-	-	15,368
Increases in 2010	(951)	(2,275)	(3,637)	(6)	-	(6,869)
Decreases in 2010	216	25	13	-	-	254
Translation differences	-	4	(444)	-	-	(440)
Assets classified as held for sale	-	-	-	-	-	-
Transfers	34	(233)	234	-	-	35
Balance at 31 December **2010**	**(940)**	**(12,875)**	**(18,276)**	**(29)**	**-**	**(32,120)**
Business combinations	-	-	(122)	-	-	(122)
Sales (disposals) of businesses	683	1,508	97	-	-	2,288
Increases in 2011	(6)	(29)	(3,086)	(7)	-	(3,128)
Decreases in 2011	78	220	338	-	-	636
Translation differences	-	17	(425)	-	-	(408)
Assets classified as held for sale	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Balance at 31 December 2011	**(185)**	**(11,159)**	**(21,474)**	**(36)**	**-**	**(32,854)**

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 2011 and 2010 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 (2010: EUR 13,293 thousand) of the carrying amount of the trademarks were allocated to the Herba Germany cash-generating unit of the Herba rice business segment.
- EUR 93,885 thousand (2010: EUR 90,909 thousand) of the carrying amount of the trademarks were allocated to the cash-generating unit of the US Riviana rice business segment.
- EUR 83,195 thousand (2010: 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 73,524 thousand (2010: EUR 71,460 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 (2010: EUR 13,409 thousand) of the carrying amount of the trademarks were allocated to the cash-generating unit of the European Birkel pasta business segment.
- EUR 0 thousand (2010: 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 derecognised in 2011.
- EUR 4,000 thousand (2010: 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.
- EUR 39,723 thousand of the carrying amount of the trademarks in the acquisition in 2011 of the SOS Group's European rice business, as part of the Herba rice business segment.
- EUR 14,451 thousand of the carrying amount of the trademarks in the acquisition in 2011 of the SOS Group's US rice business, as part of the US Riviana 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 of these assets range from 6.4% in the US, Canada and German markets, to 7.7% in the French market, 8.5% in the Spanish market and 14% for Portugal, 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, possible change in any of the assumptions used increase the carrying amount of these trademarks to above their recoverable amount. Accordingly, even if the discount rates used were to increase by

2% no material impairment losses would arise, and this would also apply in the event that the growth rates were to vary by 2%.

Changes in the year

In 2011 the most significant changes in "Intangible Assets" were as follows:

- Increase of EUR 91,517 thousand relating to the business combinations in 2011 (see Note 5.3).
- Increase of EUR 9,298 thousand relating to new intangible assets, mostly the acquisition of computer hardware and software, and, to a lesser extent, CO2 allowances.
- Increase of EUR 6,515 thousand relating to translation differences.
- Decrease relating to the amortisation charge for the year and impairment losses of EUR 3,118 thousand and EUR 10 thousand, respectively.
- Decrease of EUR 3,502 thousand due to the exclusion from the scope of consolidation of Biosearch, S.A.

In 2011 CO2 emission allowances amounting to EUR 1,437 thousand were derecognised and there were other non-material additions and reductions.

The charges and, where applicable, credits relating to these non-current assets amounted to EUR 3,118 thousand and EUR 10 thousand, respectively in 2011 and EUR 0 thousand of losses for the disposal of these assets (2010: EUR 5,077 thousand, EUR 1,792 thousand, and EUR 0, respectively).

It should be taken into account that EUR 2,086 thousand of the aforementioned amortisation charge for 2010 should be deducted in relation to the assets of the dairy product business and of Biosearch, S.A., whose income and expense were reclassified to discontinued operations (see Note 7).

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, CO2 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 CO2 emission allowances amounting to EUR 2,663 thousand were derecognised and there were other non-material additions or reductions.

Lastly, as indicated in Note 5.3, in September 2011 the Spanish National Competition Commission approved the acquisition of the SOS rice business in Spain, subject to the obligation that Ebro Foods, S.A. licence or transfer the Nomen as well as the La Parrilla, La Cazuela, Pavo Real and Nobleza trademarks. This obligation is currently being performed and documented.

10. PROPERTY, PLANT AND EQUIPMENT

The detail of the consolidated Group's property, plant and equipment at 31 December 2011 and 2010, of the related accumulated depreciation and impairment losses and of the changes therein each year is as follows (in thousands of euros):

Net values	Land	Buildings	Plant and machinery	Other fixtures, tools and furniture	Other plant and equipment	In the course of construction	Total
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**
Balance at 31 December 2011	70,983	146,592	258,277	13,207	4,166	14,535	**507,760**

Gross values	Land	Buildings	Plant and machinery	Other fixtures, tools and furniture	Other plant and equipment	In the course of construction	Total
Balance at 31 December 2009	**75,411**	**256,610**	**746,729**	**48,166**	**21,915**	**37,709**	**1,186,540**
Business combinations	-	-	-	-	-	-	-
Sales (disposals) of businesses	(8,902)	(42,425)	(163,439)	(10,707)	(11,023)	(903)	(237,399)
Increases in 2010	854	9,782	64,928	1,591	2,151	(13,059)	66,247
Decreases in 2010	(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	-	-	-	-	-	-	-
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**
Business combinations	5,109	24,232	37,211	3,726	533	386	71,197
Sales (disposals) of businesses	(333)	(2,858)	(14,246)	(6,091)	(164)	(3,058)	(26,750)
Increases in 2011	406	6,565	50,040	1,456	642	2,698	61,807
Decreases in 2011	(448)	(2,433)	(21,831)	(592)	(167)	-	(25,471)
Translation differences	471	3,154	7,869	66	9	(82)	11,487
Assets classified as held for sale	-	-	-	-	-	-	-
Transfers	(1,970)	(6,204)	(16,963)	22	(24)	-	(25,139)
Balance at 31 December 2011	**70,983**	**252,285**	**678,416**	**37,389**	**12,623**	**25,110**	**1,076,806**

Accumulated depreciation and impairment losses	Land	Buildings	Plant and machinery	Other fixtures, tools and furniture	Other plant and equipment	In the course of construction	Total
Balance at 31 December 2009	**-**	**(115,168)**	**(471,099)**	**(30,780)**	**(14,227)**	**(10,537)**	**(641,811)**
Business combinations	-	-	-	-	-	-	-
Sales (disposals) of businesses	-	24,740	99,737	8,197	6,895	-	139,569
Increases in 2010	-	(14,755)	(56,257)	(3,512)	(1,570)	(77)	(76,171)
Decreases in 2010	-	2,534	18,437	323	1,069	-	22,363
Translation differences	-	(739)	(4,867)	(112)	(38)	-	(5,756)
Assets classified as held for sale	-	-	-	-	-	-	-
Transfers	-	(122)	1,408	178	261	-	1,725
Balance at 31 Decembere 2010	**-**	**(103,510)**	**(412,641)**	**(25,706)**	**(7,610)**	**(10,614)**	**(560,081)**
Business combinations		(1,077)	(3,283)	(444)	(81)	-	(4,885)
Sales (disposals) of businesses	-	889	4,395	3,768	77	-	9,129
Increases in 2011	-	(9,889)	(38,284)	(2,661)	(936)	-	(51,770)
Decreases in 2011	-	1,255	15,311	925	132	39	17,662
Translation differences	-	(34)	(2,572)	(64)	(14)	-	(2,684)
Assets classified as held for sale	-	-	-	-	-	-	-
Transfers	-	6,673	16,935	-	(25)	-	23,583
Balance at 31 December 2011	**-**	**(105,693)**	**(420,139)**	**(24,182)**	**(8,457)**	**(10,575)**	**(569,046)**

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 2011 and prior years, grants were obtained from public agencies, the amounts of which are indicated in Note 19.

There are no property, plant and equipment of significant amounts that are not used in the business.

Changes in 2011

The most significant changes in “Property, Plant and Equipment” in 2011 were as follows:

- Increase of EUR 66,312 thousand relating to the business combinations in 2011 (see Note 5.3).
- Increase in translation differences of EUR 8,803 thousand.
- Increase of EUR 61,807 thousand due to the investments in 2011. These relate basically to the new plant of the rice business in the US and the technical improvements and new fixtures at the Panzani, NWP and Herba pasta plants.
- Decrease due to the depreciation charge for the year of EUR 45,947 thousand.
- Decrease due to the impairment losses recognised in the year amounting to EUR 5,814 thousand (see Note 8.2).
- Decrease of EUR 17,621 thousand due to the exclusion from the scope of consolidation of Biosearch, S.A.
- In 2011 the net disposals amounted to EUR 7,809 thousand.
- Decrease due to transfers to investment property for a net amount of EUR 1,556 thousand.

The depreciation charges and/or impairment losses relating to these items of property, plant and equipment amounted to EUR 45,947 thousand and EUR 5,814 thousand, respectively in 2011 (2010: EUR 63,061 thousand and EUR 13,110 thousand, respectively).

It should be taken into account that in 2010 EUR 10,155 thousand and EUR 4,840 thousand, respectively, should be deducted from the aforementioned depreciation charge and impairment losses, respectively, in relation to the assets of the dairy product business and Biosearch, S.A. the income and expenses of which were reclassified to discontinued operations (see Note 7).

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. These 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.

Also, in relation to the sale or disposal of property, plant and equipment in 2011, in some cases, there were losses of EUR 6,608 thousand and, in other cases, there were gains of EUR 1,827 thousand on the sale of these assets (2010: EUR 1,220 thousand and EUR 15,376 thousand, respectively).

Of the impairment losses recognised in 2011 on property, plant and equipment, the most significant amounting to EUR 5,114 thousand, related to the Egyptian rice plant. Practically all the impairment losses on the industrial assets at the Egyptian plant relate to the machinery and/or other industrial equipment. At 2011 year-end the recoverable amount of the assets at the Egyptian plant, measured as the higher of value in use and realisable value, was determined as being lower than the carrying amount basically due to the low volume of its industrial activity.

Of the impairment losses recognised in 2010 on property, plant and equipment, the most significant, amounting to EUR 6,326 thousand, related to the closure of the Houston plant (US) in 2010. In 2011 the real estate of this asset was transferred to "Investment Property" at its carrying amount of EUR 1,452 thousand, which was the land value.

11. INVESTMENT PROPERTY

The detail of the consolidated Group's investment property at 31 December 2011 and 2010, of the related accumulated depreciation and impairment losses and of the changes therein each year is as follows (in thousands of euros):

Net values	Land	Buildings	Total
Balance at 31 December 2009	18,595	13,557	**32,152**
Balance at 31 December 2010	19,710	11,542	**31,252**
Balance at 31 December 2011	21,160	10,762	**31,922**

	Gross values			**Accumulated depreciation and impairment losses**		
	Land	Buildings	Total	Land	Buildings	Total
Balance at 31 December 2009	**19,153**	**19,901**	**39,054**	**(558)**	**(6,344)**	**(6,902)**
Business combinations	-	-	-	-	-	-
Sales (disposals) of businesses	(28)	(1,104)	(1,132)	-	811	811
Increases in 2010	1,008	150	1,158	-	(46)	(46)
Decreases in 2010	(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)**
Business combinations	-	-	-	-	-	-
Sales (disposals) of businesses	(122)	(1,172)	(1,294)	-	284	284
Increases in 2011	9	-	9	-	(19)	(19)
Decreases in 2011	(6)	-	(6)	-	-	-
Translation differences	116	24	140	-	-	-
Transfers	1,453	207	1,660	-	(104)	(104)
Balance at 31 December 2011	**21,744**	**14,980**	**36,724**	**(584)**	**(4,218)**	**(4,802)**

The depreciation charge for 2011 amounted to EUR 19 thousand (2010: EUR 46 thousand) and impairment losses amounting to EUR 0 thousand (2009: EUR 0 thousand) were recognised.

It should be taken into account that EUR 37 thousand of the aforementioned depreciation charge for 2010 should be deducted in relation to the assets of the dairy product business and of Biosearch, S.A., whose income and expense were reclassified to discontinued operations (see Note 7).

The most significant changes in 2011 related to the decrease of EUR 1,010 thousand for the exclusion from the scope of consolidation of Biosearch, S.A. and to the increase for the transfer of property, plant and equipment amounting to EUR 1,556 thousand (see Note 10).

In 2010, except for the assets derecognised as a result of the sale of the dairy product business, which amounted to EUR 321 thousand, no other significant changes arose.

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

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 two specific cases, in England and in the US.

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, rather than 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 104 million at 31 December 2011 (31 December 2010: EUR 101 million).

12.FINANCIAL ASSETS

The detail of “Financial Assets” in the consolidated balance sheets at 31 December 2011 and 2010 is as follows (in thousands of euros):

	12/31/2011			12/31/2010		
	Total	Non-current	Current	Total	Non-current	Current
Held-for-trading financial assets	493	401	92	498	424	74
Available-for-sale financial assets	45,428	45,428	-	99,331	99,331	-
Held-to-maturity investments:						
- Deposits and guarantees	1,113	1,083	30	1,169	1,144	25
Loans and receivables:						
- Associates	-	-	-	-	-	-
- Third parties	9,100	5,015	4,085	33,784	11,025	22,759
	9,100	5,015	4,085	33,784	11,025	22,759
TOTAL FINANCIAL ASSETS	56,134	51,927	4,207	134,782	111,924	22,858

Financial assets amounting to EUR 113 thousand were derecognised as a result of the exclusion from the scope of consolidation of Biosearch, S.A. in 2011.

Available-for-sale financial assets

- “Available-For-Sale-Financial Assets” relate to the investment in Deoleo, S.A. (formerly, SOS Corporación, S.A.) in December 2010 through the subscription of 95,510,218 shares of the capital increase performed by the aforementioned company at a cost of EUR 0.5 per share, representing 9.3% of the share capital of Deoleo, 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 2011, the fair value per the market price of this investment was EUR 41,069 thousand (31 December 2010: fair value of EUR 99,331 thousand), equivalent to EUR 0.43 per share, and, therefore, a net loss of EUR 40,784 thousand was recognised directly in equity (a gross loss of EUR 58,262 thousand less EUR 17,478 thousand of its tax effect).

- “Available-For-Sale-Financial Assets” also includes the remaining investment in Biosearch, S.A. (see Note 5). Following the sale in January 2011 of 29.9% of Biosearch, S.A., Ebro Foods, S.A. held 12,117,806 shares, of which 1,355,557 shares had been sold at 31 December 2011, leaving a remainder at that date of 10,762,249 shares representing 18.65% of the share capital of Biosearch, S.A. This financial asset is recognised at fair value through equity, until it is derecognised or becomes impaired, at which time the amount thus recognised is allocated to the income statement.

  At 31 December 2011, the fair value per the market price of this investment was EUR 4,359 thousand equivalent to EUR 0.405 per share, and, therefore, a net loss of EUR 2,172 thousand was recognised directly in equity (a gross loss of EUR 3,104 thousand less EUR 932 thousand of its tax effect).

Loans and receivables - third parties

The decrease in the balance of “Loans and Receivables - Third Parties” at 31 December 2011 with respect to 31 December 2010 is due to the amounts received under the repayment schedule and the settlement of certain balances. The balance of “Loans and Receivables - Third Parties” at 31 December 2011 and 2010 included mainly the following:

- EUR 6,893 thousand in 2011 (2010: EUR 4,663 thousand) relating to the deferred portion of the selling price in 2009 of the Alagón land, earning implicit interest at 2.5%.

- EUR 2,796 thousand in 2011 (2010: EUR 3,486 thousand) relating to the deferred portion of the selling price in 2009 of the business of the French subsidiary GMM, earning implicit interest at 2.5%.

The following balances also existed in 2010 but were settled in 2011: EUR 7,655 thousand relating to the deferred portion of the selling price in 2009 of the investment in

Biocarburantes de Castilla y León, S.A., and EUR 13,760 thousand relating to the deferred portion of the selling price in 2009 of the sugar business.

Of the total balance of this line item in 2011, EUR 8,469 thousand (2010: EUR 33,264 thousand) were denominated in euros and EUR 631 thousand (2010: EUR 520 thousand) were denominated in US dollars.

In relation to the aforementioned non-current receivables, the following amounts fall due each year from 2013 onwards: EUR 4,097 thousand and EUR 287 thousand, with the remaining EUR 631 thousand falling due from 2015 onwards.

13. INVESTMENTS IN ASSOCIATES

The changes in 2011 and 2010 were as follows (in thousands of euros):

Associate	Balance at 12/31/2010	Increase in investments	Decrease due to sales	Dividends paid	Profit for the year	Translation differences	Other changes	Balance at 12/31/2011
Asociadas de Riviana Foods Inc.	3,095	-	-	(1,878)	1,455	68	-	2,740
Asociadas Panzani en liquidación	2	-	-	-	-	-	(2)	-
	3,097	**-**	**-**	**(1,878)**	**1,455**	**68**	**(2)**	**2,740**

Associate	Balance at 12/31/2009	Increase in acquisitions	Decrease due to sales	Dividends paid	Profit for the year	Translation differences	Other changes	Balance at 12/31/2010
Lince Insurance, Ltd.	3,417	-	-	-	8	-	(3,425)	-
Asociadas de Riviana Foods Inc.	2,978	-	-	(1,870)	1,752	235	-	3,095
Asociadas Panzani en liquidación	391	-	-	-	-	-	(389)	2
	6,786	**-**	**-**	**(1,870)**	**1,760**	**235**	**(3,814)**	**3,097**

None of the aforementioned companies has significant assets, income, financial debt and/or material guarantees granted by the Ebro Foods Group.

14. GOODWILL

The changes in 2011 and 2010 in "Goodwill" were as follows (in thousands of euros):

Segment	Business generating unit or groups	12/31/2010	Increases	Decreases and others	Impairment loss	Translation differences	12/31/2011
Herba rice	Danrice (Denmark)	14,524	-	-	-	-	14,524
Herba rice	Vogan (UK)	1,225	-	-	-	38	1,263
Herba rice	Riceland (Hungary)	2,126	-	-	-	-	2,126
Herba rice	Steve & Brotherton (UK)	611	-	-	-	7	618
Herba rice	Mundiriz (Morocco)	1,769	-	-	(176)	-	1,593
Herba rice	Suntra Group (Belgium)	-	11,205	-	-	(48)	11,157
Herba rice	SOS business Spain	-	28,390	-	-	-	28,390
Riviana US	Riviana Group (US)	89,033	-	-	-	2,915	91,948
Riviana US	Minute Rice (US)	137,620	-	-	-	4,505	142,125
Riviana US	ARI Group (US)	-	12,633	-	-	1,755	14,388
Panzani France	Panzani Group	417,449	-	-	-	-	417,449
US pasta	NWP Group	91,105	-	-	-	1,390	92,495
Remainder	Jiloca, S.A.	129	-	-	-	-	129
Remainder	P. Biotech Group	11,620	-	(11,620)	-	-	-
		767,211	**52,228**	**(11,620)**	**(176)**	**10,562**	**818,205**
Total gross value		810,681	52,228	(23,620)	-	10,562	849,851
Total cumulative impairment		(43,470)	-	12,000	(176)	-	(31,646)

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Segment	Business generating unit or groups	12/31/2009	Increases	Decreases and others	Impairment loss	Translation differences	12/31/2010
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 products	Puleva Food (FC merger)	53,747	-	(53,747)	-	-	-
Dairy products	Lactimilk, S.L.	429	-	(429)	-	-	-
Riviana US	Riviana Group (US)	82,585	-	-	-	6,448	89,033
Riviana US	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
Remainder	Jiloca, S.A.	129	-	-	-	-	129
Remainder	P. Biotech Group	11,620	-	-	-	-	11,620
		801,686	**-**	**(54,176)**	**(177)**	**19,878**	**767,211**

Various business combinations took place in 2011. The most relevant data on these business combinations is included in Note 5. In January 2011 Biosearch, S.A. (see Notes 5 and 7) was excluded from the scope of consolidation giving rise to the derecognition of the associated net goodwill.

In 2010 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.

The goodwill arose from business combinations. On 31 December 2011 and 2010, 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 was 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 2011:

- In the European rice and pasta businesses, average discount rates of 6.2% and growth rates between 1.8% and 2% were used except in Hungary where, as a result of its special characteristics, a discount rate of 13% and a growth rate of 3% were used.

- In the US rice and pasta businesses, discount rates of 5.4% and growth rates of between 0% and 2% were used.

The most significant assumptions used to measure each cash-generating unit at 31 December 2011 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, 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. Accordingly, even if the discount rates used were to increase by 2% no material impairment losses would arise, and this would also apply in the event that growth rates were to vary by 2%.

15. INVENTORIES

The detail of “Inventories” at 31 December 2011 and 2010 is as follows (in thousands of euros):

	12/31/11	12/31/10
Goods held for resale	19,815	17,951
Raw material	124,723	92,378
Replacement parts and supplies	13,890	3,723
Containers	21,770	17,628
Work in progress	50,109	28,859
Finished goods	110,259	78,513
By-products and waste products	1,906	3,552
Advances to suppliers	21,577	22,587
TOTAL GROSS INVENTORIES	**364,049**	**265,191**
Inventory write-downs	(3,422)	(4,753)
TOTAL NET INVENTORIES	**360,627**	**260,438**

At 2011 year-end the balance of “Advances to Suppliers” in the consolidated balance sheet included EUR 19,247 thousand (2010: EUR 18,258 thousand) relating to payments made to rice growers and there were firm paddy rice purchase agreements amounting to EUR 32,452 thousand (2010: EUR 32,242 thousand). Also, the Group in the US and France has raw material purchase commitments totalling approximately EUR 117,205 thousand (2010: EUR 70,490 thousand).

Lastly, also in France, the Group has commitments to a single supplier until 28 February 2014 for container purchases from a closed list of products.

In 2011 the inventory write-downs recognised and reversed amounted to EUR 2,387 thousand and EUR 3,721 thousand (2010: EUR 4,515 thousand and EUR 2,517 thousand, respectively) and the translation losses to EUR 3 thousand (2010: EUR 51 thousand).

16. TRADE AND OTHER RECEIVABLES

The detail of "Trade and Other Receivables" at 31 December 2011 and 2010 is as follows (in thousands of euros):

	12/31/11	12/31/10
Customers	336,510	263,730
Sundry accounts receivable	10,964	21,904
Provision	(7,046)	(6,397)
Trade receivables of Biosearch, S.A. (derecognised in 2011)	-	3,739
TOTAL	**340,428**	**282,976**

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 fall due at between 30 and 85 days. The detail of the age of the trade receivables at 31 December 2011 is as follows:

Age of debt	Gross	Provision	Net
Within 3 months	325,950	(1,989)	323,961
Between 3 to 6 months past due	5,567	(334)	5,233
Between 6 to 12 months past due	1,040	(348)	692
Between 12 to 18 months past due	509	(22)	487
Between 18 to 24 months past due	468	(171)	297
After 24 months	2,976	(2,867)	109
	336,510	**(5,731)**	**330,779**

In 2011 the provision recognised for trade and other receivables amounted to EUR 624 thousand (2010: EUR 924 thousand), the amounts used in this connection amounted to EUR 67 thousand (2010: EUR 2,653 thousand) and the related translation differences amounted to EUR 92 thousand (2010: EUR 167 thousand).

17. CASH AND CASH EQUIVALENTS

The detail of "Cash and Cash Equivalents" at 31 December 2011 and 2010 is as follows (in thousands of euros):

	12/31/11	12/31/10
Cash on hand and at banks	74,325	216,830
Short-term bank deposits and cash equivalents	23,545	338,775
Cash of Biosearch, S.A. (derecognised in 2011)	-	102
TOTAL	**97,870**	**555,707**

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 97,870 thousand at 2011 year-end (2010 year-end: EUR 555,707 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 2011 these investments earned annual average interest of around 2.6% (2010: 3.0%).

18. SHARE CAPITAL, RESERVES, EARNINGS PER SHARE AND DIVIDENDS

18.1 Share capital and reserves

Share capital

At 31 December 2011 and 2010, the share capital was represented by 153,865,392 fully subscribed and paid bearer shares of EUR 0.60 par value each traded on the Spanish Stock Exchanges.

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

- Instituto Hispánico del Arroz, S.A.: direct holder of 13,588,347 (2010: 13,588,347) shares representing 8.831% (2010: 8.831%) and indirect holder, through Hispafoods Invest, S.L., of 10,600,210 (2010: 10,600,210) shares representing 6.889% (2010: 6.889%). In total, holder of 24,188,557 (2010: 24,188,557) shares representing 15.721% (2010: 15.721%).
- Sociedad Anónima Damm: indirect holder, through Corporación Económica Damm, S.A., of 14,850,000 (2010: 14,350,000) shares representing 9.651% (2010: 9.326%).
- Sociedad Estatal de Participaciones Industriales: indirect holder, through Alimentos y Aceites, S.A., of 15,721,882 (2010: 13,315,016) shares representing 10.218% (2010: 8.654%).
- Corporación Financiera Alba, S.A.: indirect holder, through Alba Participaciones, S.A., of 12,498,830 (2010: 8,777,719) shares representing 8.123% (2010: 5.705%). It became a significant shareholder on 9 September 2010.
- Lolland, S.A.: indirect holder, through Casa Grande Cartagena, S.L., of 5,193,290 (2010: 9,707,778) shares representing 3.375% (2010: 6.309%).

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 payment of an extraordinary 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 2011 and 2010, 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 17.6 million (2010: EUR 13.0 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 “Retained Earnings”.

The consolidated equity includes EUR 38,531 thousand in 2011 (2010: EUR 38,531 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 2011 and 2010 is as follows (in thousands of euros):

	12/31/11	12/31/10
Herba business companies	(3,880)	(5,139)
RIVIANA Group (US)	(17,544)	(18,527)
ARI Group (US)	9,963	-
NWP Group (US)	11,294	628
TOTAL	**(167)**	**(23,038)**

Treasury shares

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

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.

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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 2011 and 2010) 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 2011 and 2010).

The detail of the profits and information on the shares used in calculating the basic and diluted earnings per share is as follows:

	12/31/2011	12/31/2010
Net profit attributable to the ordinary shareholders of the Parent from continuing operations	151,542	128,827
Net profit attributable to the ordinary shareholders of the Parent from discontinued operations	-	259,970
Net profit attributable to ordinary shareholders of the Parent	151,542	388,797
Interest/Dividends on non-cumulative, convertible and redeemable preference shares	-	-
Net profit attributable to ordinary shareholders of the Parent adjusted for the effect of non-cumulative, convertible and redeemable preference shares	151,542	388,797

	2011 Thousand	2010 Thousand
Weighted average number of ordinary shares used for basic earnings per share (*)	152,419	153,375
Effect of dilution:		
Share options	-	-
Redeemable preference shares	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	152,419	153,375

(*) 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.

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18.3 Dividends

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

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

Lastly, on 15 June 2011, the Board of Directors resolved to distribute an interim dividend of EUR 0.15 per share, totalling EUR 23,080 thousand, corresponding to 2011 (see Note 1). The interim dividend payments were made on 3 October and 22 December 2011 and amounted to EUR 0.075 per share.

Dividends declared, paid and payable in 2011:	2011	2010
Dividends on ordinary shares:		
Final dividend paid for 2010: EUR 0.416 (2009: EUR 0.70)	64,008	107,705
Extraordinary dividend for 2009 payable in 2011: EUR 0.30 (*)	46,160	-
Interim dividend for 2011: EUR 0.15 (2010: 0 centims)	23,080	-
	133,248	**107,705**
Proposal for approval by the shareholders (not recognised as a liability at 31 December)		
Ordinary dividend for 2011: EUR 0.45 cents (2010: EUR 0.416)	69,239	64,008
Extraordinary dividend for 2011: EUR 0.15 (interim dividend paid in 2011)	23,080	-
	92,319	**64,008**

(*) Recognised as a liability at 31 December 2010 (see Note 22).

19. DEFERRED INCOME

This account includes essentially grants related to assets and CO2 emission allowances received and other deferred income which are not significant on an individual basis. The changes in 2011 and 2010 were as follows:

	Government grants		CO2 emission allowances		Other deferred income		TOTAL	
	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10
Beginning balance	5,521	14,614	345	179	-	-	5,866	14,793
Increases due to business combinations	-	-	-	-	1,596	-	1,596	-
Decrease from sale or disposal of busines	(3,840)	(5,538)	-	(570)	-	-	(3,840)	(6,108)
Cancelation of grants	-	188	-	-	-	-	-	188
Grants received	941	547	-	-	-	-	941	547
Increase due to CO2 emission allowances	-	-	2,225	2,304	-	-	2,225	2,304
Other increases/decreases	-	-	(1,305)	(357)	69	-	(1,236)	(357)
Translation differences	4	4	75	-	163	-	242	4
To profit (loss) of continuing operations	(947)	(3,124)	(88)	(149)	(43)	-	(1,078)	(3,273)
To profit (loss) of discontinued operations	-	(1,170)	-	(1,062)	-	-	-	(2,232)
Ending balance	**1,679**	**5,521**	**1,252**	**345**	**1,785**	**-**	**4,716**	**5,866**

"Deferred Income" at 31 December 2011 and 2010 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 CO2 emission allowances received under the related national plans and other more minor items.

The detail, by due date, of the grants is as follows:

	Not yet taken to income			
GRANTS RELATED TO ASSETS	< 1 year	2-5 years	> 5 years	Total
Detail, by due date, of ending balance	521	945	213	1,679

20. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The changes in "Provisions for Pensions and Similar Obligations" at the Group in 2011 were as follows (in thousands of euros):

	12/31/11 Total	12/31/10 Total
Balance at 1 January	**32,230**	**40,953**
Translation differences	317	1,718
Business combinations	502	-
Amounts used and payments	(6,741)	(19,320)
Transfers from other accounts	-	329
Excessive provsions and employee terminations	(57)	(4)
Period provisions for changes in actuarial calculations	8,924	1,141
Period provision to financial profit (loss)	682	892
Period provision to staff costs	5,091	6,131
Period provision to other operating expenses	-	390
Balance at 31 December	**40,948**	**32,230**

The detail, by type of obligation, is as follows (in thousands of euros):

	12/31/11	12/31/10
Defined benefit obligations	27,540	20,008
Retirement bonus and other similar obligations	11,394	10,897
Incentive scheme for senior executives (Note 27.7)	2,014	1,325
TOTAL	**40,948**	**32,230**

The obligations, by company or segment, are summarised as follows:

	Defined contribution pension obligations	Defined benefit pension obligations	Other defined benefit obligations	Retirement bonuses	Long-service bonus	Termination benefits for disposals or reductions
Ebro Foods, S.A.					Yes (a)	
Riviana Group (US)	Yes	Yes (b)	Yes (b)			
NWP Group (US and Canada)	Yes	Yes (b)	Yes (b)			
Panzani Group (France)				Yes (a)	Yes (a)	
Boost (Herba) (Belgium)	Yes (c) 2007	Yes (c) 2006				Yes (a)
BPB (Belgium)						Yes (a)
Mundiriso (Herba) (Italy)						Yes (a)
Euryza (Herba) (Germany)		Yes (a)				
S&B Group (Herba) (UK)	Yes (d)	Yes (d)				
Birkel Group (Germany)		Yes (a)		Yes (a)		
Lassie Group (Netherlands)		Yes (b)				

(a) Non-externalised obligations. In-house provisions and management.
(b) 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.
(c) In 2007 they became defined contribution obligations.
(d) 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, should be disclosed due to their significance.

20.1 Retirement bonus and other similar obligations

The detail, by company or business, is as follows:

	12/31/11	12/31/10
Ebro Foods, S.A. (EF)	384	406
Francia Panzani Group (Panzani)	9,911	9,155
Arroz Herba Group (Herba)	692	666
BIRKEL Group	43	269
América Riviana Group (Riviana)	244	249
Other	120	152
SUBTOTAL	**11,394**	**10,897**

20.1.1 Ebro Foods, S.A.

The balance of the account at 31 December 2011 of Ebro Foods, S.A. totalling EUR 384 thousand (31 December 2010: EUR 406 thousand) relates to the provision to meet the possible long-service bonus obligations to employees that do not have to be externalised by law. The expense for 2011 was EUR 18 thousand (2010: EUR 54 thousand).

20.1.2 Panzani Group companies

The Panzani Group companies have obligations to employees, basically for retirement bonuses (provisions of EUR 8,739 thousand and EUR 8,042 thousand at the end of 2011 and 2010, respectively) and for long-service bonuses (provisions of EUR 1,172 thousand and EUR 1,113 thousand at the end of 2011 and 2010, respectively). The aforementioned provisions were recorded on the basis of in-house actuarial calculations. The related expense for 2011 was EUR 1,197 thousand (2010: EUR 1,472 thousand), of which EUR 232 thousand were charged directly to equity due to actuarial changes. 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 2011 year-end the provisions amounted to EUR 529 thousand (2010 year-end: EUR 489 thousand). The related expense in 2011 was EUR 81 thousand (2010: EUR 28 thousand).

Also, certain Herba Group subsidiaries (S&B Herba in the UK, Boost in Germany, Danrice in Denmark and TBA Suntra in the UK) 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 2011 was EUR 551 thousand (2010: EUR 511 thousand).

Lastly, pursuant to the collective agreement for the rice sector, Herba Ricemills, S.L. has retirement bonus obligations for a scantly material amount externalised through an insurance policy. The related expense for 2011 was EUR 14 thousand.

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 43 thousand and EUR 269 thousand at the end of 2011 and 2010, 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	12/31/2010			12/31/2011		
(in thousands of euros)	Pension obligations	Other obligations	Total	Pension obligations	Other obligations	Total
Riviana Group (US)	8,234	(2,656)	5,578	12,284	(3,010)	9,274
NWP Group (US and Canada)	5,216	1,354	6,570	7,066	1,422	8,488
Boost (Herba) (Belgium)	223		223	172		172
Euryza (Herba) (Germany)	3,234		3,234	3,239		3,239
Lassie Group (Netherlands)	-		-	647		647
S&B Group (Herba) (UK)	2,387		2,387	3,919		3,919
Birkel Group (Germany)	2,016		2,016	1,801		1,801
	21,310	**(1,302)**	**20,008**	**29,128**	**(1,588)**	**27,540**

The changes in 2011 and 2010 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:

	Riviana Group		**NWP Group**		**European Subsidiaries**	
Thousands of euros	**12/31/11**	**12/31/10**	**12/31/11**	**12/31/10**	**12/31/11**	**12/31/10**
Provision for pensions - obligations						
Begining balance	29,084	28,135	19,500	22,353	16,100	14,977
Business combinations	-	-	-	-	3,348	-
Period provisions	2,722	3,313	959	1,808	1,307	1,034
Changes in actuarial calculations	2,181	1,260	2,219	(135)	785	(291)
Payments for the year	(712)	(1,069)	(896)	(5,052)	(1,237)	102
Employee restructuring	(7,826)	(4,767)	-	(1,377)	29	-
Translation differences	484	2,212	616	1,903	309	278
Balance at 31 December	25,933	29,084	22,398	19,500	20,641	16,100
Provision for pensions - assets invested						
Value at beginning of the year	(23,506)	(21,539)	(12,929)	(13,801)	(8,239)	(6,992)
Business combinations	-	-	-	-	(2,846)	-
Return on assets	(1,273)	(1,748)	(941)	(1,286)	(599)	(474)
Contributions by the Parent	(2,005)	(4,377)	(1,401)	(1,790)	(85)	(631)
Changes in actuarial calculations	1,919	-	1,002	-	586	(181)
Payments for the year	8,550	5,837	900	5,052	558	251
Translation differences	(344)	(1,679)	(541)	(1,105)	(238)	(213)
Balance at 31 December	(16,659)	(23,506)	(13,910)	(12,930)	(10,863)	(8,240)
Net balance at 31 December	**9,274**	**5,578**	**8,488**	**6,570**	**9,778**	**7,860**
Net on-balance sheet balance at 31 December	**9,274**	**5,578**	**8,488**	**6,570**	**9,778**	**7,860**

	Riviana Group		NWP Group		European Subsidiaries	
Net annual cost, by line item	**12/31/11**	**12/31/10**	**12/31/11**	**12/31/10**	**12/31/11**	**12/31/10**
Annual service cost	1,486	1,858	23	136	453	123
Interest cost	1,236	1,456	936	1,018	910	822
Return on assets	(1,273)	(1,367)	(941)	(867)	(570)	(474)
Employee restructuring processes	-	-	-	-	(58)	-
Estimation of unrecognised losses	-	-	-	-	-	315
	1,449	**1,947**	**18**	**287**	**735**	**786**
Changes in actuarial calculations recognised directly in consolidated equity: (gain) loss	4,100	736	3,221	215	1,371	(504)

Actuarial assumptions	**12/31/11**	**12/31/10**	**12/31/11**	**12/31/10**	**12/31/11**	**12/31/10**
Discount rate	4.50%	5.36%	4.25%	5.25%	4.6 - 6.0%	4.7% - 5.5%
Salary performance	3.50%	3.50%	0.00%	0.00%	1.8% - 3.0%	2.5% - 3.5%
Return on assets	7.50%	7.75%	7.50%	7.50%	4.5% - 6.0%	6.70%

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 2011 was EUR 1,006 thousand (2010: EUR 1,489 thousand).

21. OTHER PROVISIONS

The changes in “Other Provisions” in 2011 and 2010 were as follows (in thousands of euros):

Changes in other provsions	**12/31/11 Total**	**12/31/10 Total**
Beginning balance	87,591	73,784
Translation differences	(61)	50
Business combinations	-	-
Transfers	(1,533)	(924)
Amounts used and payments	(27,864)	(38,846)
Other period provisions	9,356	14,999
Period provision charged to income for CO2 allowances	88	149
Period provision charged to gains on sale of businesses (Note 7)	-	41,295
Provisions reversed with a credit to income	(17,804)	(115)
Disposals or sales of businesses (Biosearch in 2011 / Dairy products in 2010)	(706)	(2,801)
Ending balance	**49,067**	**87,591**

The provisions are summarised as follows (in thousands of euros):

Summary, by line item, of other provisions	12/31/11	12/31/10
Provision for the outcome of litigation relating to the sale of the sugar business	8,544	45,655
Provision for the outcome of litigation relating to the sale of the dairy product business	28,825	28,406
Other litigation and disputes	6,569	6,130
Modernisation and restructuring plan	4,044	6,172
CO2 allowances	88	149
Other sundry, non-significant contingencies	997	1,079
	49,067	**87,591**

DETAIL, BY COMPANY, OF OTHER PROVISIONS

	12/31/11	12/31/10
Ebro Foods, S.A.	37,369	74,061
Panzani Group	5,437	5,658
Herba Group	2,946	728
Riviana Group	621	2,793
Birkel Group	2,400	3,508
Other	294	843
TOTAL CONTINUING OPERATIONS	**49,067**	**87,591**

21.1 Provision for the outcome of litigation relating to the sale of the sugar business

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

The provision for the outcome of litigation relating to the sale of the sugar business relates to the guarantees provided to the buyer of the business which, in the event of an unfavourable outcome of the litigation, would lead to a reduction in the selling price of the sugar business. The provisions or reversals recognised constitute an adjustment to the selling price and, consequently are recognised as a decrease or increase in the gains of the year in which they are recognised or reversed (see Note 7).

Developments in 2011: In relation to these lawsuits, in 2011 a total of EUR 18,865 thousand were paid out of the guarantees provided in the sale of the sugar business, most of which, EUR 16,575 thousand, was paid to the buyer of this business as interest payments arising from the unfavourable judgement of the Criminal Chamber of the Supreme Court (on 20 July 2010, this Chamber handed down an unfavourable judgement whereby Ebro Foods, S.A. was required to pay EUR 27.6 million on 21 July 2010, although the related interest remained outstanding until its payment in March 2011). Also, the portion of this provision (EUR 17,638 thousand) reversed in 2011 related mainly to another of the lawsuits in process on which the Supreme Court handed down a favourable judgement on 24 January 2012, giving rise to the reversal of the provision covering this litigation.

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

21.2 Provision for the outcome of litigation relating to the sale of the dairy product business

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

The provision for the outcome of litigation relating to the sale of the dairy product business relates to the guarantees provided to the buyer of the business which, in the event of an unfavourable outcome of the litigation, would lead to a reduction in the selling price of the dairy product business. The provisions or reversals recognised constitute an adjustment to the selling price and, consequently are recognised as a decrease or increase in the gains in the year in which they are recognised or reversed (see Note 7).

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

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 2011, provisions had been recognised for other litigation and disputes amounting to EUR 6,569 thousand (31 December 2010: EUR 6,130 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 liability 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):

	12/31/11	12/31/10
Various contested tax and customs assessments	38,274	75,652
Judicial review contingencies	8,920	7,478
	47,194	**83,130**

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 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. Unfavourable judgement of the National Appellate Court. A cassation appeal has been filed at the Supreme Court. Amount provisioned. Classification for accounting purposes: probable.

1.2 The penalty arising from the assessment referred to in point 1.1. amounts to EUR 2,076 thousand. Unfavourable judgement of the National Appellate Court. A cassation appeal has been filed at the Supreme Court. Amount provisioned. Classification for accounting purposes: probable.

2.- 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 two companies filed appeals against this decision and on 3 October 2011 the Madrid Provincial Appellate Court upheld the claim of Ebro Foods, dismissing the claim of the other party, which announced that it would be filing a cassation appeal at the Supreme Court. Classification for accounting purposes: possible.

3.- 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 2011 an expert report drawn up by the Central Tax Agency was presented, which has yet to be ratified, estimating the amounts of milk on which the levy 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 criminal offence consisting of purported 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 FEGA (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 Ebro Group 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.

4.- In 2011 Azucarera Energías, S.A. filed a claim for EUR 5,969 thousand 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 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 Parent) in relation to the sugar-production levy for the marketing years 2002/03 to 2005/06. This claim was brought on the basis of judgments issued by the Court of Justice of the European Union which rendered null and void the regulations that set the rates 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 Parent 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	**12/31/11**		**12/31/10**	
	Non-current	Current	Non-current	Current
Long-term bank borrowings	271,289	95,263	353,212	64,436
Short-term bank borrowings		113,721		96,019
Other financial liabilities	8,611	185	592	351
Payable to associates	-	-	-	-
Dividends not yet paid (Note 18.3)		-		46,160
Guarantees and deposits received (financial)	80	2	197	-
Financial liabilities of Bisearch, S.A. (de-recognised in 2010)			30	12,475
Total financial liabilities	**279,980**	**209,171**	**354,031**	**219,441**

The detail, by segment or company and maturity, of bank borrowings is as follows (in thousands of euros):

Detail, by segment or company, of bank borrowings	12/31/10	12/31/11	2013	2014	2015	2016	Subsequent years
- Ebro Foods, S.A	279,518	231,957	57,009	28,504	73,222	73,222	
- Riviana Group (US)	73,643	38,027	38,027				
- Arroz Herba Group	-	841	213	199	124	78	227
- French Panzani Group	51	38	13	13	12		
- Arotz Foods, S.A.	-	426	48	48	48	48	234
Long-term bank borrowings	**353,212**	**271,289**	**95,310**	**28,764**	**73,406**	**73,348**	**461**
- Ebro Foods, S.A	39,674	58,022					
- Riviana Group (US)	36,954	38,143					
- Arroz Herba Group	57,063	40,291					
- French Panzani Group	26,490	33,875					
- NWP Group	-	38,645					
- Other companies	274	8					
Short-term bank borrowings	**160,455**	**208,984**					
Total bank borrowings	**513,667**	**480,273**					

The detail of the aforementioned borrowings on the basis of the currency in which they are denominated is as follows:

CURRENCY	12/31/11	12/31/10
Euro	74,425	85,633
US dollar	404,423	418,403
Moroccan dirham	-	5,573
Egyptian pound	333	2,313
Thai baht	481	1,745
Hungarian forint	611	-
Total	**480,273**	**513,667**

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 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.

- A syndicated loan agreement entered into in May 2005, novated in November 2006, April 2009 and August 2010, amounting to USD 184.2 million at 31 December 2011 (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.

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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 trademark 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 2011 the various Group companies had arranged unsecured credit facilities with banks with a total limit of around EUR 342 million (31 December 2010: EUR 330 million), against which a total of EUR 114 million had been drawn down at 31 December 2011 (31 December 2010: EUR 108 million). The credit facilities of the Panzani Group, with a limit of EUR 90 million in 2011 (2010: EUR 30 million) are secured by collection rights.

At 31 December 2011 and 2010, there were also note and bill discounting facilities, issues of guarantees and other bank guarantees, the detail being as follows:

At 31 December 2011 **FINANCING ARRANGEMENTS**	**Amount drawn down**	**Amount available**	**Total limit**
Draft discounting lines	8	3,000	3,008
Bank guarantee facilities	52,630	89,740	142,370
Total consolidated Group	**52,638**	**92,740**	**145,378**

At 31 December 2010 **FINANCING ARRANGEMENTS**	**Amount drawn down**	**Amount available**	**Total limit**
Draft discounting lines	908	1,000	1,908
Bank guarantee facilities	93,677	55,849	149,526
Total consolidated Group	**94,585**	**56,849**	**151,434**

The average annual interest rate on the short-term loans in 2011 was 2.8% (2010: 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 2011 and 2010, all the ratios were being achieved.

23. OTHER NON-FINANCIAL PAYABLES

These relate to various payables that are not material on an individual basis.

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24. TRADE AND OTHER PAYABLES

The detail of "Trade and Other Payables" is as follows:

	12/31/11	12/31/10
Trade payables	249,665	284,265
Other payables	18,562	29,610
Remuneration payable	36,620	34,510
Trade payables of Biosearch, S.A. (dercognised in 2011)	-	4,078
TOTAL	**304,847**	**352,463**

Trade payables do not bear interest and, in general, fall due 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.

<u>Disclosures on the payment periods to suppliers. "Disclosure obligation" provided for in Law 15/2010, of 5 July.</u>

The information on the Group's Spanish companies is as follows:

<u>Amounts paid and payable at the balance sheet date</u>

	12/31/2011		12/31/2010	
	Amount	%*	Amount	
- Paid in the maximum payment period (**)	284,502	95.85%		
- Remainder.	12,303	4.15%		
Total payments made in the year	296,805	100.00%		
Weighted average period of late payment (days)	36			
Payments at year-end not made in the maximum payment period	1,080		934	

* Percentage of total
** The maximum payment period applicable, in each case, will be based on the nature of the goods and services received by the company in accordance with Law 3/2004, of 29 December, on combating late payment in commercial transactions

25. TAX MATTERS

The detail of the tax receivables and payables at 31 December 2011 and 2010 is as follows (in thousands of euros):

	Receivables		Payables	
	12/31/11	12/31/10	12/31/11	12/31/10
VAT and Personal income tax withholdings	28,964	29,857	(8,154)	(12,087)
Accrued social security taxes	29	-	(1,376)	(1,449)
Grants receivable	1,430	3,420	-	-
Other	73	286	(4,940)	(2,715)
Total tax receivables and payables	**30,496**	**33,563**	**(14,470)**	**(16,251)**
Net income tax payable	**10,644**	**3,222**	**(7,306)**	**(8,584)**

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), the French Panzani Group and, from 2012 onwards, the Group companies in Germany.

Also, income tax rates vary from one country to another and include most notably due to their relative importance: 30% in Spain, 36.10% in France (2010: 34.93%), 37.5% in the US, 30% in Germany and 25.5% in the Netherlands. 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 2011 and 2010 is as follows (in thousands of euros):

INCOME STATEMENT - INCOME TAX	12/31/11	12/31/10
Current tax expense of continuing operations	34,766	29,227
Current tax expenses on sale of discontinued operations	-	113,281
Total deferred tax expense	22,284	23,099
Deferred tax expense in equity	(21,502)	15,012
Adjustment of prior year's tax	(3,720)	6,743
Adjustment of net deferred tax liability	(98)	(3,756)
Equivalent tax charges	13,771	4,466
Tax assessments and fines	1,539	-
	47,040	**188,072**

Income tax expense recognised directly in equity	12/31/11	12/31/10
Expense of changes in share capital of subsidiaries	-	-
Change in fair value of financial assets	(18,410)	15,472
Change in actuarial gains and losses	(3,092)	(460)
	(21,502)	**15,012**

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	12/31/2011		12/31/2010	
	Accounting	Tax	Accounting	Tax
Profit before tax from continuing operations	**222,393**	**222,393**	**192,504**	**192,504**
Profit before tax on sale of discontinued operations (Note 7)	**-**	**-**	**355,963**	**355,963**
Profit (loss) before tax recognised in equity	**(70,289)**	**(70,289)**	**50,407**	**50,407**
Foreign currency hedges recognised in translation differences	**(7,360)**	**(7,360)**	**(32,938)**	**(32,938)**
	144,744	**144,744**	**565,936**	**565,936**
Permanent differences of Group companies	(4,921)	(4,921)	591	591
Permanent differences of consolidation adjustments	(4,825)	(4,825)	28,782	28,782
Tax loss carryforwards for the year	6,097	6,097	14,545	14,545
Offset of tax loss carryforwards of individual companies	(270)	(270)	(453)	(453)
Adjusted accounting profit	**140,825**	**140,825**	**609,401**	**609,401**
Temporary differences of Group companies		12,901		(62,710)
Temporary differences of consolidation adjustments		7,441		(4,410)
Tax loss carryforwards for the year		-		2,852
Offset of tax loss carryforwards		(668)		(49,732)
Adjusted tax profit	**140,825**	**160,499**	**609,401**	**495,401**
Effect of different tax rates (Base)	24,742	17,301	22,593	9,820
Taxable profit for the Economic Group	**165,567**	**177,800**	**631,994**	**505,221**
Tax charge at 30%	49,670	53,340	189,598	151,566
Tax credits taken	(14,122)	(18,574)	(8,979)	(9,059)
Net income tax payable	**35,548**	**34,766**	**180,619**	**142,507**
Adjustment of prior year's income tax	(3,720)		6,743	
Adjustment of net deferred tax liability	(98)		(3,756)	
Equivalent tax charges	13,771	10,671	4,466	4,466
Adjustment of prior year tax payable		(4,015)		-
Total income tax expense	**47,040**	**41,422**	**188,072**	**146,973**
Income tax expense of continuing operations	70,750		63,532	
Income tax expense on sale of discontinued operations (Note 7)	-		119,409	
Income tax expense recognised in equity	(21,502)		15,012	
Income tax expense recognised in translation differences	(2,208)		(9,881)	
	47,040		**188,072**	

“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 2011 resulted in income tax payable (net tax payable).

The companies' temporary differences in 2011 and 2010 were as follows:

- Net increase of EUR 7,360 thousand (2010: increase of EUR 32,938 thousand) as a result of the net exchange differences on the hedging of the US dollar loans.
- Increase of EUR 70,398 thousand (2010: decrease of EUR 51,101 thousand) due to the effect of the recognition at fair value of the available-for-sale financial assets and to the actuarial changes in the pension obligations, recognised directly in equity.
- Decrease of EUR 22,302 thousand (2010: EUR 16,504 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 33,898 thousand (2010: EUR 20,994 thousand) due to the temporary differences of Riviana relating basically to the amortisation of trademarks and other assets, and the tax effect of the closure of the Houston plant.

- Decrease of EUR 5,753 thousand (2010: EUR 20,780 thousand) due to the amortisation for tax purposes of the goodwill arising from acquisitions of foreign operations.
- No difference in 2011, although in 2010 there was a EUR 7,500 thousand increase 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 2,904 thousand (2010: EUR 6,231 thousand), principally due 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 2011 and 2010 relate primarily to the elimination of intra-Group gains on the sale of investment property and the elimination of provisions recognised for investments between Group companies.

In 2010 the tax losses recognised as temporary differences arose mainly from the offset of NWP's tax losses totalling EUR 49,670 thousand arising in years prior to its acquisition. In 2011 there was no significant tax effect as this company had no unused tax loss carryforwards.

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 normally relate 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 a double taxation tax credit was not applicable.

The tax credits relate mainly to tax credits for new product development and innovation expenditure, for patronage, double taxation tax credits 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 2011 was EUR 115.3 million (2010: EUR 57.3 million) (EUR 1.5 million, EUR 16.2 million, EUR 11.2 million and EUR 76.3 million, in the period from 2009 to 2006, respectively. These amounts were reinvested by the tax group in each of the aforementioned years). Also, the other requirements to be able to take these tax credits for tax purposes were met. In addition, at 31 December 2011, there were unused reinvestment tax credits amounting to EUR 38.3 million, which are conditional upon reinvestment by the Spanish tax group of EUR 692 million (within a time frame that ends mainly in August 2013).

The detail of the deferred taxes for the years ended 31 December 2011 and 2010 is as follows (in thousands of euros):

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	12/31/11		12/31/10	
	Assets	Liabilities	Assets	Liabilities
Balance at 1 January	**64,154**	**(193,755)**	**52,412**	**(144,839)**
Transfers of balances	260	(72)	(1,526)	(647)
Translation differences	74	(4,213)	2,615	(2,355)
Business combinations	3,048	(8,946)	-	-
Disposals due to sale or exclusion of businesses	(3,345)	-	(4,587)	608
Earned / applied in income	(8,471)	(12,688)	(17,281)	(1,076)
Earned /applied in equity	1,521	19,981	(142)	(15,113)
Adjustments	(1,659)	(2,225)	1,175	(20,881)
Change in deferred tax provision	-	-	31,488	(9,452)
Balance at 31 December	**55,582**	**(201,918)**	**64,154**	**(193,755)**

The detail, by most significant line item, of the deferred taxes at 31 December 2011 and 2010 is as follows:

	12/31/11		12/31/10	
	Deferred tax		Deferred tax	
	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment	6,592	(68,074)	5,113	(56,214)
Investment property	6,329	(613)	6,329	-
Goodwill	7,279	(34,469)	5,629	(33,316)
Other intangible assets	3,323	(88,012)	3,198	(66,172)
Inventories	1,989	(2,394)	2,768	(2,288)
Accounts receivable and prepayments and accrued income	837	(55)	337	(223)
Pensions and similar obligations	3,503	5,091	6,667	2,214
Other provisions (long-term)	7,505	(396)	7,680	(1,310)
Accounts payable and accruals and deferred income	11,064	(1,235)	9,660	(550)
Tax credits carryforwards	4,943	-	10,808	-
Tax loss carryforwards	2,210	3,181	5,963	-
Accrual of tax benefits	-	(13,711)	-	(13,604)
Adjustments to value of available-for-sale financial assets	-	2,938	-	(15,472)
Provisions and gains of tax group investments	8	(4,169)	2	(6,820)
TOTAL	**55,582**	**(201,918)**	**64,154**	**(193,755)**

In addition to the aforementioned tax loss carryforwards of the Group companies, at 31 December 2011 there were tax loss carryforwards available for offset over the coming 15 years amounting to EUR 30 million (31 December 2010: EUR 25 million).

In May 2011, the Spanish tax group received notification from the tax authorities of the commencement of a tax review for 2004 to 2007, inclusive. The tax audit concluded with the issue of tax assessments, which were signed on an uncontested basis at the beginning of March 2012, giving rise to a payable of approximately EUR 2,500 thousand. These amounts were provisioned in full in the consolidated financial statements for 2011. Also, the Spanish tax group has all years since 2008 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 pursuant to the applicable local legislation and that have not previously been subject to tax audit, in most cases being the years since 2007.

26. OBLIGATIONS AND CONTINGENCIES

Obligations under operating leases - Group as lessee

The Group holds certain vehicles, machinery, warehouses and offices under operating leases. These operating leases have an average term of between three and five years, without any renewal clauses in the leases, except for the concession agreement for the land of one of the plants in the US which is for a renewable term of 20 years. 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 2011 and 2010 is as follows (in thousands of euros):

	12/31/11	12/31/10
Within one year	8,411	7,372
Between one and five years	15,323	18,799
After five years	5,863	902
Total	**29,597**	**27,073**

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 2011 and 2010 is as follows (in thousands of euros):

	12/31/11	12/31/10
Within one year	797	485
Between one and five years	894	928
After five years	1	97
Total	**1,692**	**1,510**

Non-current asset investment and divestment commitments

At 31 December 2011, the Group had investment commitments for acquisitions and renewals of machinery amounting to EUR 6,825 thousand (31 December 2010: EUR 18,000 thousand) and computer software amounting to EUR 1,500 thousand (31 December 2010: EUR 3,000 thousand).

Also, as indicated in Note 5.3, in September 2011 the Spanish National Competition Commission approved the acquisition of the SOS rice business in Spain, subject to the obligation that Ebro Foods, S.A. licence or transfer the Nomen as well as the La Parrilla, La Cazuela, Pavo Real and Nobleza trademarks. This obligation is currently being performed and documented.

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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 2011 and 2010 the following bank guarantees had been provided:

	12/31/11	12/31/10
From banks: Provided to courts and agencies in relation to economic-administrative claims and tax deferral (Note 21)	19,256	38,615
From banks: provided to the Spanish Agricultural Guarantee Fund (FEGA), customs and third parties to guarantee fulfilment of obligations in ordinary business operations	33,374	54,641
Other bank guarantees	-	421
Provided to banks to guarantee fulfilment of obligations in business operations of other associates or non-Group companies	419	367
TOTAL	**53,049**	**94,044**

In 2009 guarantees (counter guarantees) 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 and 2011, 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 the unresolved litigation (see Note 21.1).

Lastly, the credit facilities granted to the Panzani Group with a limit of EUR 90 million in 2011 (2010: EUR 30 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 transactions are not secured, are not interest bearing and are settled in cash.

During the years ended 31 December 2011 and 2010 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 the information on related party transactions, it was taken into account that Instituto Hispánico del Arroz, S.A. was appointed director on 1 June 2010 and, consequently, the transactions carried out up to that date are included in the Note relating to significant shareholders, while the transactions performed from 1 June 2010 are included under the Note on Directors.

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	TOTAL 2011	TOTAL 2010
Instituto Hispánico del Arroz, S.A.	Herba Ricemills, S.L.U.	Sales of goods (finished goods or work in progress)	0	190
Instituto Hispánico del Arroz, S.A.	S&B Herba Foods, Ltd.	Sales of goods (finished goods or work in progress)	0	62
Instituto Hispánico del Arroz, S.A.	Herba Ricemills, S.L.U.	Purchases of goods (finished goods or work in progress)	0	534
Instituto Hispánico del Arroz, S.A.	S&B Herba Foods, Ltd.	Purchases of goods (finished goods or work in progress)	0	84
Instituto Hispánico del Arroz, S.A.	Herba Foods, S.L.U.	Services received	0	25
Instituto Hispánico del Arroz, S.A. (Dehesa Norte, S.A.)	Herba Ricemills, S.L.U.	Sales of goods (finished goods or work in progress)	0	124
Instituto Hispánico del Arroz, S.A. (Dehesa Norte, S.A.)	S&B Herba Foods, Ltd.	Sales of goods (finished goods or work in progress)	0	62
Instituto Hispánico del Arroz, S.A. (Dehesa Norte, S.A.)	Herba Ricemills, S.L.U.	Purchases of goods (finished goods or work in progress)	0	95
Instituto Hispánico del Arroz, S.A. (Dehesa Norte, S.A.)	S&B Herba Foods, Ltd.	Purchases of goods (finished goods or work in progress)	0	84
Instituto Hispánico del Arroz, S.A. (Islasur, S.A.)	Herba Ricemills, S.L.U.	Sales of goods (finished goods or work in progress)	0	39
Instituto Hispánico del Arroz, S.A. (Islasur, S.A.)	Boost Nutrition, C.V.	Sales of goods (finished goods or work in progress)	0	90
Instituto Hispánico del Arroz, S.A. (Islasur, S.A.)	S&B Herba Foods, Ltd.	Sales of goods (finished goods or work in progress)	0	62
Instituto Hispánico del Arroz, S.A. (Islasur, S.A.)	Herba Ricemills, S.L.U.	Purchases of goods (finished goods or work in progress)	0	27

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SIGNIFICANT SHAREHOLDER	EBRO FOODS GROUP COMPANY	TYPE OF TRANSACTION	TOTAL 2011	TOTAL 2010
Instituto Hispánico del Arroz, S.A. (Islasur, S.A.)	Boost Nutrition, C.V.	Purchases of goods (finished goods or work in progress)	0	94
Instituto Hispánico del Arroz, S.A. (Islasur, S.A.)	S&B Herba Foods, Ltd.	Purchases of goods (finished goods or work in progress)	0	84
Instituto Hispánico del Arroz, S.A. (Australian Commodities, S.A.)	Herba Ricemills, S.L.U.	Sales of goods (finished goods or work in progress)	0	45
Instituto Hispánico del Arroz, S.A. (Australian Commodities, S.A.)	Boost Nutrition, C.V.	Sales of goods (finished goods or work in progress)	0	90
Instituto Hispánico del Arroz, S.A. (Australian Commodities, S.A.)	S&B Herba Foods, Ltd.	Sales of goods (finished goods or work in progress)	0	63
Instituto Hispánico del Arroz, S.A. (Australian Commodities, S.A.)	Herba Ricemills, S.L.U.	Purchases of goods (finished goods or work in progress)	0	24
Instituto Hispánico del Arroz, S.A. (Australian Commodities, S.A.)	Boost Nutrition, C.V.	Purchases of goods (finished goods or work in progress)	0	94
Instituto Hispánico del Arroz, S.A. (Australian Commodities, S.A.)	S&B Herba Foods, Ltd.	Purchases of goods (finished goods or work in progress)	0	85
Instituto Hispánico del Arroz, S.A. (El Cobujón, S.A.)	Herba Ricemills, S.L.U.	Sales of goods (finished goods or work in progress)	0	113
Instituto Hispánico del Arroz, S.A. (El Cobujón, S.A.)	Boost Nutrition, C.V.	Sales of goods (finished goods or work in progress)	0	6
Instituto Hispánico del Arroz, S.A. (El Cobujón, S.A.)	S&B Herba Foods, Ltd.	Sales of goods (finished goods or work in progress)	0	62
Instituto Hispánico del Arroz, S.A. (El Cobujón, S.A.)	Herba Ricemills, S.L.U.	Purchases of goods (finished goods or work in progress)	0	92
Instituto Hispánico del Arroz, S.A. (El Cobujón, S.A.)	Boost Nutrition, C.V.	Purchases of goods (finished goods or work in progress)	0	7
Instituto Hispánico del Arroz, S.A. (El Cobujón, S.A.)	S&B Herba Foods, Ltd.	Purchases of goods (finished goods or work in progress)	0	84
Instituto Hispánico del Arroz, S.A. (Mundiarroz, S.A.)	Herba Ricemills, S.L.U.	Sales of goods (finished goods or work in progress)	0	46
Instituto Hispánico del Arroz, S.A. (Mundiarroz, S.A.)	Boost Nutrition, C.V.	Sales of goods (finished goods or work in progress)	0	85
Instituto Hispánico del Arroz, S.A. (Mundiarroz, S.A.)	S&B Herba Foods, Ltd.	Sales of goods (finished goods or work in progress)	0	62
Instituto Hispánico del Arroz, S.A. (Mundiarroz, S.A.)	Herba Ricemills, S.L.U.	Purchases of goods (finished goods or work in progress)	0	24

SIGNIFICANT SHAREHOLDER	EBRO FOODS GROUP COMPANY	TYPE OF TRANSACTION	TOTAL 2011	TOTAL 2010
Instituto Hispánico del Arroz, S.A. (Mundiarroz, S.A.)	Boost Nutrition, C.V.	Purchases of goods (finished goods or work in progress)	0	90
Instituto Hispánico del Arroz, S.A. (Mundiarroz, S.A.)	S&B Herba Foods, Ltd.	Purchases of goods (finished goods or work in progress)	0	84
Instituto Hispánico del Arroz, S.A. (Pesquería Isla Mayor, S.A.)	Herba Ricemills, S.L.U.	Sales of goods (finished goods or work in progress)	0	116
Instituto Hispánico del Arroz, S.A. (Pesquería Isla Mayor, S.A.)	Boost Nutrition, C.V.	Sales of goods (finished goods or work in progress)	0	24
Instituto Hispánico del Arroz, S.A. (Pesquería Isla Mayor, S.A.)	S&B Herba Foods, Ltd.	Sales of goods (finished goods or work in progress)	0	62
Instituto Hispánico del Arroz, S.A. (Pesquería Isla Mayor, S.A.)	Herba Ricemills, S.L.U.	Purchases of goods (finished goods or work in progress)	0	90
Instituto Hispánico del Arroz, S.A. (Pesquería Isla Mayor, S.A.)	Boost Nutrition, C.V.	Purchases of goods (finished goods or work in progress)	0	29
Instituto Hispánico del Arroz, S.A. (Pesquería Isla Mayor, S.A.)	S&B Herba Foods, Ltd.	Purchases of goods (finished goods or work in progress)	0	84
Sociedad Anónima DAMM (Estrella de Levante, S.A.)	Herba Ricemills, S.L.U.	Sales of goods (finished goods or work in progress)	1,072	218
Sociedad Anónima DAMM (Cía. Cervecera Damm, S.A.)	Herba Ricemills, S.L.U.	Sales of goods (finished goods or work in progress)	3,377	2,167
Sociedad Anónima DAMM (Plataforma Continental, S.L.)	Herba Ricemills, S.L.U.	Sales of goods (finished goods or work in progress)	0	208

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

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

DIRECTORS	EBRO FOODS GROUP COMPANY	TYPE OF TRANSACTION	TOTAL 2011	TOTAL 2010
Instituto Hispánico del Arroz, S.A.	Herba Ricemills, S.L.U.	Sales of goods (finished goods or work in progress)	315	143
Instituto Hispánico del Arroz, S.A.	Boost Nutrition, C.V.	Sales of goods (finished goods or work in progress)	0	127

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (THOUSANDS OF EUROS)

DIRECTORS	EBRO FOODS GROUP COMPANY	TYPE OF TRANSACTION	TOTAL 2011	TOTAL 2010
Instituto Hispánico del Arroz, S.A.	S&B Herba Foods, Ltd.	Sales of goods (finished goods or work in progress)	38	0
Instituto Hispánico del Arroz, S.A.	Euryza, GmbH	Sales of goods (finished goods or work in progress)	24	0
Instituto Hispánico del Arroz, S.A.	Herba Ricemills, S.L.U.	Purchases of goods (finished goods or work in progress)	5,169	3,381
Instituto Hispánico del Arroz, S.A.	Boost Nutrition, C.V.	Purchases of goods (finished goods or work in progress)	0	127
Instituto Hispánico del Arroz, S.A.	Euryza, GmbH	Purchases of goods (finished goods or work in progress)	24	0
Instituto Hispánico del Arroz, S.A.	S&B Herba Foods, Ltd.	Purchases of goods (finished goods or work in progress)	85	0
Instituto Hispánico del Arroz, S.A.	TBA Suntra UK, Ltd.	Purchases of goods (finished goods or work in progress)	170	0
Instituto Hispánico del Arroz, S.A.	Herba Ricemills, S.L.U.	Rendering of services	1	0
Instituto Hispánico del Arroz, S.A.	Herba Ricemills, S.L.U.	Sales of property, plant and equipment, intangible assets or other assets	0	4
Instituto Hispánico del Arroz, S.A.	Herba Ricemills, S.L.U.	Leases	150	102
Instituto Hispánico del Arroz, S.A.	Herba Foods, S.L.U.	Services received	50	25
Instituto Hispánico del Arroz, S.A. (Dehesa Norte, S.A.)	Herba Ricemills, S.L.U.	Sales of goods (finished goods or work in progress)	291	228
Instituto Hispánico del Arroz, S.A. (Dehesa Norte, S.A.)	Boost Nutrition, C.V.	Sales 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.	Sales of goods (finished goods or work in progress)	95	0
Instituto Hispánico del Arroz, S.A. (Dehesa Norte, S.A.)	Herba Ricemills, S.L.U.	Purchases of goods (finished goods or work in progress)	75	229
Instituto Hispánico del Arroz, S.A. (Dehesa Norte, S.A.)	Boost Nutrition, C.V.	Purchases 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.	Purchases of goods (finished goods or work in progress)	142	0
Instituto Hispánico del Arroz, S.A. (Dehesa Norte, S.A.)	TBA Suntra UK, Ltd.	Purchases of goods (finished goods or work in progress)	170	0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (THOUSANDS OF EUROS)

DIRECTORS	EBRO FOODS GROUP COMPANY	TYPE OF TRANSACTION	TOTAL 2011	TOTAL 2010
Instituto Hispánico del Arroz, S.A. (Dehesa Norte, S.A.)	Herba Ricemills, S.L.U.	Rendering of services	6	0
Instituto Hispánico del Arroz, S.A. (Islasur, S.A.)	Herba Ricemills, S.L.U.	Sales of goods (finished goods or work in progress)	353	0
Instituto Hispánico del Arroz, S.A. (Islasur, S.A.)	Boost Nutrition, C.V.	Sales of goods (finished goods or work in progress)	0	172
Instituto Hispánico del Arroz, S.A. (Islasur, S.A.)	S&B Herba Foods, Ltd.	Sales of goods (finished goods or work in progress)	147	6
Instituto Hispánico del Arroz, S.A. (Islasur, S.A.)	Herba Ricemills, S.L.U.	Purchases of goods (finished goods or work in progress)	153	19
Instituto Hispánico del Arroz, S.A. (Islasur, S.A.)	Boost Nutrition, C.V.	Purchases of goods (finished goods or work in progress)	0	172
Instituto Hispánico del Arroz, S.A. (Islasur, S.A.)	S&B Herba Foods, Ltd.	Purchases of goods (finished goods or work in progress)	194	6
Instituto Hispánico del Arroz, S.A. (Islasur, S.A.)	TBA Suntra UK, Ltd.	Purchases of goods (finished goods or work in progress)	170	0
Instituto Hispánico del Arroz, S.A. (Australian Commodities, S.A.)	Herba Ricemills, S.L.U.	Sales of goods (finished goods or work in progress)	364	0
Instituto Hispánico del Arroz, S.A. (Australian Commodities, S.A.)	Boost Nutrition, C.V.	Sales of goods (finished goods or work in progress)	0	165
Instituto Hispánico del Arroz, S.A. (Australian Commodities, S.A.)	S&B Herba Foods, Ltd.	Sales of goods (finished goods or work in progress)	103	0
Instituto Hispánico del Arroz, S.A. (Australian Commodities, S.A.)	Euryza, GmbH	Sales of goods (finished goods or work in progress)	51	0
Instituto Hispánico del Arroz, S.A. (Australian Commodities, S.A.)	Herba Ricemills, S.L.U.	Purchases of goods (finished goods or work in progress)	149	107
Instituto Hispánico del Arroz, S.A. (Australian Commodities, S.A.)	Boost Nutrition, C.V.	Purchases of goods (finished goods or work in progress)	0	165
Instituto Hispánico del Arroz, S.A. (Australian Commodities, S.A.)	S&B Herba Foods, Ltd.	Purchases of goods (finished goods or work in progress)	151	0
Instituto Hispánico del Arroz, S.A. (Australian Commodities, S.A.)	Euryza, GmbH	Purchases of goods (finished goods or work in progress)	51	0
Instituto Hispánico del Arroz, S.A. (Australian Commodities, S.A.)	TBA Suntra UK, Ltd.	Purchases of goods (finished goods or work in progress)	170	0
Instituto Hispánico del Arroz, S.A. (El Cobujon, S.A.)	Herba Ricemills, S.L.U.	Sales of goods (finished goods or work in progress)	201	119

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (THOUSANDS OF EUROS)

DIRECTORS	EBRO FOODS GROUP COMPANY	TYPE OF TRANSACTION	TOTAL 2011	TOTAL 2010
Instituto Hispánico del Arroz, S.A. (El Cobujon, S.A.)	Boost Nutrition, C.V.	Sales of goods (finished goods or work in progress)	51	121
Instituto Hispánico del Arroz, S.A. (El Cobujon, S.A.)	S&B Herba Foods, Ltd.	Sales of goods (finished goods or work in progress)	38	0
Instituto Hispánico del Arroz, S.A. (El Cobujon, S.A.)	Euryza, GmbH	Sales of goods (finished goods or work in progress)	0	17
Instituto Hispánico del Arroz, S.A. (El Cobujon, S.A.)	TBA Suntra BV	Sales of goods (finished goods or work in progress)	65	0
Instituto Hispánico del Arroz, S.A. (El Cobujon, S.A.)	Herba Ricemills, S.L.U.	Purchases of goods (finished goods or work in progress)	82	119
Instituto Hispánico del Arroz, S.A. (El Cobujon, S.A.)	Boost Nutrition, C.V.	Purchases of goods (finished goods or work in progress)	51	121
Instituto Hispánico del Arroz, S.A. (El Cobujon, S.A.)	S&B Herba Foods, Ltd.	Purchases of goods (finished goods or work in progress)	158	0
Instituto Hispánico del Arroz, S.A. (El Cobujon, S.A.)	Euryza, GmbH	Purchases of goods (finished goods or work in progress)	0	17
Instituto Hispánico del Arroz, S.A. (El Cobujon, S.A.)	TBA Suntra BV	Purchases of goods (finished goods or work in progress)	65	0
Instituto Hispánico del Arroz, S.A. (Mundiarroz, S.A.)	Herba Ricemills, S.L.U.	Sales of goods (finished goods or work in progress)	350	0
Instituto Hispánico del Arroz, S.A. (Mundiarroz, S.A.)	Boost Nutrition, C.V.	Sales of goods (finished goods or work in progress)	35	255
Instituto Hispánico del Arroz, S.A. (Mundiarroz, S.A.)	S&B Herba Foods, Ltd.	Sales of goods (finished goods or work in progress)	129	0
Instituto Hispánico del Arroz, S.A. (Mundiarroz, S.A.)	Euryza, GmbH	Sales of goods (finished goods or work in progress)	0	46
Instituto Hispánico del Arroz, S.A. (Mundiarroz, S.A.)	Herba Ricemills, S.L.U.	Purchases of goods (finished goods or work in progress)	135	0
Instituto Hispánico del Arroz, S.A. (Mundiarroz, S.A.)	Boost Nutrition, C.V.	Purchases of goods (finished goods or work in progress)	35	256
Instituto Hispánico del Arroz, S.A. (Mundiarroz, S.A.)	Euryza, GmbH	Purchases of goods (finished goods or work in progress)	0	46
Instituto Hispánico del Arroz, S.A. (Mundiarroz, S.A.)	S&B Herba Foods, Ltd.	Purchases of goods (finished goods or work in progress)	176	0
Instituto Hispánico del Arroz, S.A. (Mundiarroz, S.A.)	TBA Suntra UK, Ltd.	Purchases of goods (finished goods or work in progress)	170	0

DIRECTORS	EBRO FOODS GROUP COMPANY	TYPE OF TRANSACTION	TOTAL 2011	TOTAL 2010
Instituto Hispánico del Arroz, S.A. (Pesquería Isla Mayor, S.A.)	Herba Ricemills, S.L.U.	Sales of goods (finished goods or work in progress)	346	34
Instituto Hispánico del Arroz, S.A. (Pesquería Isla Mayor, S.A.)	Boost Nutrition, C.V.	Sales of goods (finished goods or work in progress)	0	128
Instituto Hispánico del Arroz, S.A. (Pesquería Isla Mayor, S.A.)	S&B Herba Foods, Ltd.	Sales of goods (finished goods or work in progress)	92	115
Instituto Hispánico del Arroz, S.A. (Pesquería Isla Mayor, S.A.)	Herba Ricemills, S.L.U.	Purchases of goods (finished goods or work in progress)	130	34
Instituto Hispánico del Arroz, S.A. (Pesquería Isla Mayor, S.A.)	Boost Nutrition, C.V.	Purchases of goods (finished goods or work in progress)	0	129
Instituto Hispánico del Arroz, S.A. (Pesquería Isla Mayor, S.A.)	S&B Herba Foods, Ltd.	Purchases of goods (finished goods or work in progress)	139	115
Instituto Hispánico del Arroz, S.A. (Pesquería Isla Mayor, S.A.)	TBA Suntra UK, Ltd.	Purchases of goods (finished goods or work in progress)	170	0
Antonio Hernández Callejas	Herba Ricemills, S.L.U.	Purchases of property, plant and equipment, intangible assets or other assets	1	0

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 2011:

- Dividends to significant shareholders: 35,120
- Dividends to directors and executives: 26,340

Dividends 2010:

- Dividends to significant shareholders: 28,400
- Dividends to directors and executives: 21,419

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 Group's normal business activities in terms of their purpose and terms and conditions

There were no related-party transactions of this type in 2011.

27.5 Other matters of interest.

Ebro Foods, S.A. has an ownership interest of less than 20% in Biosearch, S.A. (18.652% at 31 December 2011). This ownership interest is solely of a financial nature and, as such, is recognised in the financial statements of the Ebro Group (see Note 12).

Ebro Foods, S.A. does not participate in the administration or the management of Biosearch, S.A. Nor does it exercise any influence on the financial and operating policies of Biosearch, S.A.

Accordingly, Ebro Foods does not consider that the transactions carried out with Biosearch in 2011 are related party transactions, without prejudice to the information disclosed below in relation to the transactions performed between Biosearch, S.A. and certain Ebro Foods Group companies in 2011:

EBRO GROUP COMPANY WITH WHICH BIOSEARCH PERFORMS THE TRANSACTION	TYPE OF TRANSACTION	TOTAL 2011	TOTAL 2010
Herba Ricemills, S.L.U.	Purchases of goods (finished goods or work in progress)	146	234
Herba Ricemills, S.L.U.	Services received	137	0
Herba Ricemills, S.L.U.	Purchases of property, plant and equipment, intangible assets or other assets	0	396
Herba Ricemills, S.L.U.	Other expenses	200	0
Dosbio 2010, S.L.U.	Leases	28	0
Herba Ricemills, S.L.U.	R&D transfers and licensing agreements	0	482
Ebro Foods, S.A.	Rendering of services	58	0

Ebro Foods has a significant ownership interest in Deoleo, S.A. of 9.3%, which is classified as an available-for-sale financial asset (see Note 12). Nevertheless, the transactions performed between the Deoleo Group and various Ebro Foods Group companies in 2011, are detailed below (in thousands of euros):

EBRO FOODS GROUP COMPANY	TYPE OF TRANSACTION	TOTAL 2011	TOTAL 2010
Riviana Foods, Inc.	Sales of goods (finished goods or work in progress)	4	0
Herba Ricemills, S.L.U.	Sales of goods (finished goods or work in progress)	9,791	0
Riviana Foods, Inc.	Purchases of goods (finished goods or work in progress)	5,360	0
Herba Ricemills, S.L.U.	Purchases of goods (finished goods or work in progress)	29	0
S&B Herba Foods, Ltd.	Purchases of goods (finished goods or work in progress)	463	0
Ebro Foods, S.A.	Purchases of property, plant and equipment, intangible assets or other assets	203,493	0
Herba Ricemills, S.L.U.	Other income	172	0
Herba Ricemills, S.L.U.	Other expenses	126	0

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EBRO FOODS GROUP COMPANY	TYPE OF TRANSACTION	TOTAL 2011	TOTAL 2010
Lassie Nederland, BV	Services received	46	0
Lustucru Riz, S.A.	Obligations acquired	653	0

27.6 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 consolidated financial statements discloses information that the directors, in compliance with their duty of loyalty, have notified to the Parent on the equity interests and positions held at companies engaging in an activity that is identical, similar or complementary to the activity that constitutes the company object of Ebro Foods, S.A., whether or not these companies form part of the Ebro Foods Group.

➢ Alimentos y Aceites, S.A.

- Direct ownership interest of 1.738% in Biosearch, S.A. No position is held.

➢ Instituto Hispánico del Arroz:

- Direct ownership interest of 100% in the following Hisparroz Group companies: El Cobujón, S.A, Dehesa Norte, S.A., Mundiarroz, S.A., Pesquerías Isla Mayor, S.A., Australian Commodities, S.A. and Islasur, S.A. In all cases it holds the position of director.

  It is hereby stated that Instituto Hispánico del Arroz, S.A. is a company engaging in an activity that is similar to the activity that constitutes the company object of Ebro Foods, S.A. and that it holds an ownership interest of 15.721% therein (direct ownership interest of 8.832% and indirect ownership interest of 6.889% through Hispafoods Invest,S.L., in which it has a 100% direct ownership interest and holds the position of director).

➢ Antonio Hernández Callejas:

- Direct ownership interest of 16.666% in Instituto Hispánico del Arroz, S.A. No position is held.

- Direct ownership interest of 0.001% in Deoleo, 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.

➢ Demetrio Carceller Arce:

- Direct ownership interest of 0.001% in Deoleo, S.A. He holds the position of director.

- Dr. Rudolf-August Oetker:

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

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

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

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

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

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

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

27.7 Remuneration of directors and executives

Directors' remuneration - Ebro Foods, S.A.'s Board members earned total remuneration at all the Group companies amounting to EUR 4,244 thousand in 2011 (2010: EUR 6,361 thousand), the detail being as follows (in thousands of euros):

DIRECTORS' REMUNERATION AND OTHER BENEFITS	2011	2010
REMUNERATION		
Attendance fees	348	355
Bylaw-stipulated profit sharing	2,565	2,565
Total non-executive directors	**2,913**	**2,920**
Wages, salaries and professional fees	1,331	3,441
Termination benefits and other		
Total executive directors	**1,331**	**3,441**
TOTAL REMUNERATION	**4,244**	**6,361**
OTHER BENEFITS		
Life insurance and retirement benefits	0	0

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

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

The Board also resolved to maintain the attendance fees from the previous year at EUR 1,600 for attending Ebro Foods Board meetings and EUR 800 for attending the various committee meetings, giving rise to a total amount of EUR 296,800 for 2011. The fees for attending the Board meetings of Deoleo, S.A. (company in which Ebro Foods has an ownership interest of 9.33%) for 2011, which were set at EUR 3,416 per meeting, were earned by the directors of this subsidiary that sit on the Board of Directors of Ebro Foods, S.A. and totalled EUR 51,240. 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 348,040 in 2011.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (THOUSANDS OF EUROS)

DIRECTOR	BY-LAW STIPULATED PROFIT SHARING	ATTENDANCE FEES	FEES FOR ATTENDING THE BOARD MEETINGS OF DEOLEO, S.A.	FIXED REMUNERATION FOR EXECUTIVE FUNCTIONS	VARIABLE REMUNERATION FOR EXECUTIVE FUNCTIONS	TOTAL
Antonio Hernández Callejas	351.6	23.2	34.1	680.9	650	1.739,7
Instituto Hispánico del Arroz, S.A.	131.8	17.6	0	0	0	149,4
José Nieto de la Cierva	131.8	17.6	0	0	0	149,4
Leopoldo del Pino y Calvo Sotelo	241.7	23.2	0	0	0	264,9
Alimentos y Aceites, S.A.	219.7	23.2	0	0	0	242,9
Blanca Hernández Rodríguez	170.3	25.6	0	0	0	195,8
Demetrio Carceller Arce	268.6	25.6	17	0	0	311,2
Rudolf-August Oetker	109.9	17.6	0	0	0	127,4
José Ignacio Comenge Sánchez-Real	143.3	23.2	0	0	0	166,5
Fernando Castelló Clemente	173.6	25.6	0	0	0	199,1
José Barreiro Seoane	301.6	25.6	0	0	0	327,1
Sol Daurella Comadrán	177.9	25.6	0	0	0	203,5
Eugenio Ruiz-Gálvez Priego	143.4	23.2	0	0	0	166,5
TOTAL	**2.565**	**297**	**51**	**681**	**650**	**4.244**

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

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

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

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

In relation to the executives (excluding executive directors) of the Ebro Foods Group, included in the Deferred Annual Remuneration System associated with the Group's 2010-2012 Strategic Plan described in Note 26, the total amount for which provision was recognised in 2011 was EUR 618 thousand (2010: EUR 680 thousand). This amount will accrue and be paid in 2013 and 2012, respectively.

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

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

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

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

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 Company is also subject to capital requirements included in certain long-term loan agreements, which have been met (see Note 22).

The Ebro Foods Group's strategy has changed in recent years, with increasing concentration on businesses considered to be key and an orderly reduction of financial leverage.

NET DEBT

NET DEBT (Thousands of Euros)	CONSOLIDATED FIGURES				
	2009	2010	*2010/2009*	2011	*2011/2010*
Equity	1,280,322	1,592,743	*24.4%*	1,587,298	*-0.3%*
Net debt	556,800	17,600	*-96.8%*	390,073	*2116.3%*
Average net debt	716,725	378,336	*-47.2%*	139,157	*-63.2%*
Leverage	43.5%	1.1%	*-97.5%*	24.6%	*2123.9%*
Leverage, average debt ***(1)***	56.0%	23.8%	*-57.6%*	8.8%	*-63.1%*
EBITDA	243,824	267,479	*9.7%*	273,106	*2.1%*
Hedge	2.31	0.07		1.43	

(1) Ratio of average net financial debt and borrowing costs divided by equity (excluding non-controlling interests)

The Group's concentration in its core business activities was implemented through the sale in prior years of the businesses considered non-strategic. This cash inflow gave rise to a significant reduction in borrowings, to stand at almost zero, and made it possible to pay additional remuneration to the shareholders through two extraordinary dividends and also to make new asset additions, in line with the Strategic Plan in force. The result is a balanced capital structure with a debt coverage ratio of 1.43 times EBITDA, which in a volatile market environment enables growth through specific acquisitions considered strategic and makes it possible to maintain an adequate return on capital.

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.

Depending on the characteristics of the hedged item, the financial instruments used for the purpose of hedging economic risk for this management may or may not be designated as cash flow or fair value hedges. .

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 hedges using derivative financial instruments (basically in the form of interest rate and foreign currency forwards and options) or non-derivative financial instruments (financing in foreign currencies) in order to minimise or limit the risk.

The aforementioned hedges will be arranged on the basis of:

- The prevailing market conditions,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (THOUSANDS OF EUROS)

- The management objectives, and
- The specific features of the transactions giving rise to financial risks.

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

Interest rate risk arising on financing denominated in euros or foreign currency and at a floating interest rate, due to the potential changes in the cash flows associated with the interest payments on borrowings resulting from changes in interest rates. The Group is exposed to the risk of changes mainly in connection with its long-term payment obligations that bear floating interest rates.

In order to manage this risk a combination of floating and fixed interest rates are used. The Group minimises its exposure to this risk and to do so it continually assesses the changes in interest rates with the support of external experts so as to arrange new instruments or modify the conditions of those already existing, thereby minimising the variability of the cash flows or fair value of the financial instruments.

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 753 thousand with interest rate changes equal to 50 basis points (2010: EUR 2.9 million). The interest rate risk exposure has been 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

	2011				2010			
Income/(Expense)	**-0.50%**	**-0.25%**	**0.25%**	**0.50%**	**-0.50%**	**-0.25%**	**0.25%**	**0.50%**
Profit (Loss) before tax	753	377	(377)	(753)	2,947	1,473	(1,473)	(2,947)

Foreign currency risk

Foreign currency risk due to assets, liabilities, net investment in foreign operations or transactions in currencies other than the euro and due to the potential changes in associated cash flows in euros as a result of changes in the spot rate.

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 exchange-rate 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 2011, “Other Loans” included two loans totalling USD 374 million (31 December 2010: USD 411 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 assets at these 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 hedge 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. The outstanding contracts at 2010 year-end were as follows:

	Notional amount (thousands)	
Currency	**2011**	**2010**
USD	62,681	26,892
CZK	8,500	-
EUR	14,616	16,304
GBP	332	1,953

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011 (THOUSANDS OF EUROS)

- The exchange rate was considered as the sole variable, with all other variables in the model remaining constant.

Arising from derivatives:

	2011				2010			
Income/(Expense)	-10.00%	-5.00%	5.00%	10.00%	-10.00%	-5.00%	5.00%	10.00%
Profit (Loss) before tax	2,764	1,434	(1,434)	(2,764)	(186)	(122)	122	186

Arising from other financial instruments:

	2011				2010			
Income/(Expense)	-10.00%	-5.00%	5.00%	10.00%	-10.00%	-5.00%	5.00%	10.00%
Profit (Loss) before tax	913	478	(478)	(913)	977	512	(512)	(977)

Changes in the pound sterling exchange rate

Arising from derivatives:

	2011				2010			
Income/(Expense)	-10.00%	-5.00%	5.00%	10.00%	-10.00%	-5.00%	5.00%	10.00%
Profit (Loss) before tax	(187)	(84)	84	187	(727)	(354)	354	727

Arising from other financial instruments:

	2011				2010			
Income/(Expense)	-10.00%	-5.00%	5.00%	10.00%	-10.00%	-5.00%	5.00%	10.00%
Profit (Loss) before tax	(1,015)	(370)	370	707	(692)	(253)	253	482

Changes in the US dollar exchange rate

Arising from derivatives:

	2011				2010			
Income/(Expense)	-10.00%	-5.00%	5.00%	10.00%	-10.00%	-5.00%	5.00%	10.00%
Profit (Loss) before tax	(2,234)	(1,171)	1,171	2,234	678	353	(353)	(678)

Arising from other financial instruments:

	2011				2010			
Income/(Expense)	-10.00%	-5.00%	5.00%	10.00%	-10.00%	-5.00%	5.00%	10.00%
Profit (Loss) before tax	(108)	(206)	108	206	(259)	(495)	259	495

Impact on borrowings

Changes in the US dollar exchange rate

	2011				2010			
+ Borrowing / (-Borrowing)	-10.00%	-5.00%	5.00%	10.00%	-10.00%	-5.00%	5.00%	10.00%
ECB borrowings	(32,607)	(17,080)	17,080	32,607	(37,434)	(18,717)	18,717	37,434

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. and Puleva Biosearch, which are recognised as available-for-sale financial assets in the consolidated balance sheet for the year ended 31 December 2011 (see Note 12). Changes in their fair value are recognised in the Group'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.

A detail of the borrowings at 31 December 2011 and the related maturity is provided in Note 22.

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.

The Group's policy with respect to commercial transactions 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.

29. INFORMATION ON THE ENVIRONMENT

Being fully aware that the growth of the Company must be sustainable, one of Ebro Foods' basic management principles is the implementation at its subsidiaries of the tools and measures necessary to strike the greatest possible balance between the pursuit of its business and protecting the environment. Accordingly, it has certain environmental performance objectives which it updates according to the new circumstances that arise in the various businesses.
These objectives are as follows:

- Minimise the environmental impact of its activity through the continuous implementation of measures to reduce environmental pollution, promote the rational use of resources, minimise the consumption of water, paper and energy, reduce the generation of waste and emissions, and seek eco-efficient solutions.
- Develop and progressively implement an Environmental Management System which meets the requirements of the UNE-EN-ISO 14001:2004 standard, or, where applicable, carry out environmental management practices that improve its production practices.
- Implement training and environmental awareness programmes for the Company's employees.
- Ensure that the Group companies comply with the environmental legislation applicable to the pursuit of the business.

- Cooperate with the public authorities for the purpose of implementing programmes aimed at restoring the environment or improving biodiversity in areas where the Company has previously carried on a production activity.
- Promote the implementation of environmental best practices among its suppliers and customers, making them aware of Ebro Foods' commitment in this connection.
- In those cases in which it is considered necessary, perform internal and external audits on environmental performance.

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

- The fees for audit services in 2011 amounted to EUR 1,650 thousand (2010: EUR 1,444 thousand) and for other attest services amounted to EUR 131 thousand (2010: EUR 116 thousand).

- The fees for tax advisory and/or other services amounted to EUR 257 thousand (2010: EUR 233 thousand).

31. EVENTS AFTER THE REPORTING PERIOD

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

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 2-1). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

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

EBRO FOODS GROUP

CONSOLIDATED DIRECTORS' REPORT FOR 2011 (expressed in thousands of euros)

1. ANALYSIS OF 2011. ORGANIC GROWTH

Backdrop

In 2011 the growth of the world economy lost stream as a result of weaker growth in Europe (for which growth was negative in the last quarter) and a downturn in the emerging economies. Consumer confidence in developed countries lost momentum due to the high unemployment figures, the reduction in disposable income and the need to make headway with fiscal consolidation. In 2012 the eurozone is likely to experience a moderate recession in which the financial crisis and the debt crisis will show no signs of abating. Although the situation in the US is more positive, there is still a high level of unemployment that is undermining internal demand and a large fiscal deficit.

The aforementioned situation gave rise to a decrease in consumption in European homes in the last four-month period of the year, which may have a particular impact on 2012. The biggest risk faced by the US is the spread of contagion from Europe to its still recovering economy.

Grain markets ended 2010 with generalised price increases, which were particularly significant in the case of wheat. This situation was consolidated in 2011, which saw price hikes in June and July that began to decrease slowly in the last four months of the year when it became known that final stocks would remain at reasonable levels and the pressure on alternative crops such as corn used in the production of biofuel in the US would diminish.

Rice prices remained fairly stable during 2011 following price increase pressures at the end of 2010. Significant events include most notably the elimination of barriers to exports in India, which placed a huge amount of its product on the market. Conversely, the newly-elected Thai government is guaranteeing farmers a price that clearly exceeds market price and, as a result, it has edged the biggest rice exporter in the world, until this year, out of the market. In addition, around 5.5 million mt of paddy rice remain in storage in government warehouses.

Group earnings

In view of the increased volatility of raw material prices, the net profit from continuing operations grew by 17.6%. The AAGR in the last three years (+21.5%) is evidence of a solid income statement with growth across all lines.

The sales figure was up 6.8% on 2010 due to the price increases that took place in the year to offset the rise in the price of raw materials. In many cases, these price increases were accompanied by promotional initiatives aimed at boosting consumption, which cushioned their impact on sales.

EBIDTA was up 2.1% on 2010, representing an AAGR of 6.5% from 2009 to 2011. Year-on-year growth would have totalled 5% had there been no negative exchange rate effect.

EBRO FOODS GROUP

CONSOLIDATED DIRECTORS' REPORT FOR 2011 (expressed in thousands of euros)

The Group's most significant economic aggregates are as follows:

CONSOLIDATED FIGURES Thousands of Euros		2009	2010	2010/2009	2011	2011/2010	AAGR 2011/2009
Net sales		1,746,586	1,688,957	-3.3%	1,804,111	6.8%	**1.6%**
EBITDA		240,898	267,479	11.0%	273,106	2.1%	**6.5%**
	% of net sales	13.8%	15.8%		15.1%		
EBIT		190,348	211,573	11.2%	224,022	5.9%	**8.5%**
	% of net sales	10.9%	12.5%		12.4%		
Profit before tax		137,455	192,504	40.0%	222,393	15.5%	**27.2%**
	% of net sales	7.9%	11.4%		12.3%		
Income tax		(34,762)	(63,532)	-82.8%	(70,750)	-11.4%	**-242.7%**
	% of net sales	-2.0%	-3.8%		-3.9%		
Consolidated profit for the year (continuing operations)		102,693	128,972	25.6%	151,643	17.6%	**21.5%**
	% of net sales	5.9%	7.6%		8.4%		
Net profit from discontinued operations		70,116	259,970	270.8%		-100.0%	**-100.0%**
	% of net sales	4.0%	15.4%				
Net profit		176,539	388,797	120.2%	151,542	-61.0%	**-7.3%**
	% of net sales	10.1%	23.0%		8.4%		
Average working capital **(*)**		323,230	237,222	26.6%	252,916	-6.6%	
Capital employed **(*)**		1,176,282	995,309	15.4%	1,007,686	-1.2%	
ROCE **(1)** **(*)**		20.4	21.3		22.2		
Capex **(*)**		87,414	69,617	-20.4%	66,596	-4.3%	
Average headcount		4,489	4,850	8.0%	4,920	1.4%	
		31/12/2009	**31/12/10**	**2010/2009**	**31/12/11**	**2011/2010**	
Equity		1,280,322	1,592,743	24.4%	1,587,298	-0.3%	
Net debt **(*)**		556,800	17,600	-96.8%	390,073	2116.3%	
Average net debt **(*)**		716,725	378,336	-47.2%	139,157	-63.2%	
Leverage **(2)**		0.56	0.24		0.09		
Total assets		2,684,465	2,885,030		2,710,608		

***(*)* In order for these parameters to remain consistent, the calculation includes the profit from discontinued operations and the associated assets and liabilities**

(1) ROCE = (Profit (Loss) from operations AAR over last twelve months/(Intangible assets - Property, plant and equipment - Working capital)

(2) Ratio of average net financial debt and borrowing costs divided by equity (excluding non-controlling interests)

The profitability measured using the EBITDA to Sales ratio stands at over 15% despite the increase in sales that resulted from transferring the cereal price tensions. ROCE is up 22.2%. ROCE is a particularly significant measure since it arises in a situation of inflation relating to working capital due to the rise in the price of inventories.

Profit from continuing operations is improving due to the increase in the earnings from operations and the decrease in finance costs. Finance costs are down as a result of the decrease in borrowings due to the sale of the non-core businesses in prior years.

Net profit from discontinued operations reflects the net gains arising from the sale of businesses and those relating to its operations until the effective sale date. Therefore, the most significant portion of this net profit reflects the net gain from the sale of the dairy product business in 2010 and from the sale of the sugar business in 2009.

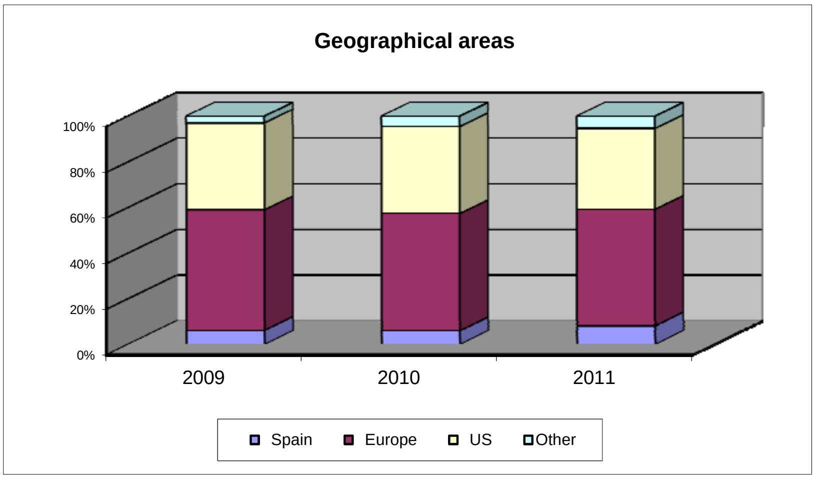
The Ebro Foods strategy

The Group's strategy involves leadership in the business segments in which it operates. With this in mind, in September 2011 it concluded the acquisition of the Deoleo (formerly SOS) rice division. Through this transaction, Ebro purchased the Deoleo rice businesses in Spain, the US, Saudi Arabia and the Netherlands as well as the SOS brand worldwide. In addition to this agreement, the Group entered into an agreement in March to purchase the Saludaes brand in Portugal. The total amount of all these acquisitions was EUR 203.5 million.

Also, in December an agreement was entered into with the US company Strom Products Ltd. to acquire USD 50 million of its pasta business in the US and Canada. The agreement includes the purchase of the No Yolks and Wacky Mac brands, which carry on their main activities in the area of healthy pasta and noodles. No Yolks is the leading brand in the yolk-free noodle segment and dry fibre-enriched pasta segment in the US and Canada.

The Group's principles are as follows:

- Low risk exposure. The Group's structure provides it with a geographically balanced source of income among developed countries, which the management teams are well aware of and where it is possible to share resources and develop synergies. The growth strategy announced places particular emphasis on these synergies. Also, a low-levered financial position makes growth possible without exposure to financial storms. The detail of sales, by geographical area, is as follows:



  The latest acquisitions will extend the area of distribution of the Group's products, giving it a considerable presence in the markets of the Netherlands and the Middle East. In recent years the Group has achieved consistent growth in recurring profits despite the volatility in basic raw materials markets. Diversification in the sources of supply has been essential to this positive performance, which led the Group to establish itself in areas of production and to continually work on adapting grain varieties and origins to our customers' needs.

- Differentiation and innovation. Ebro Foods is firmly committed to investment in products along two lines; major innovation and development (R&D+i) and firm backing of leading brands in its business areas.

  In 2011 frozen rice distribution increased in the United States (minute steamers), new varieties of ready-to-serve rice were introduced, the range of pre-cooked rice was extended, a range of sauces targeted at children was launched in addition to pasta portions and a new range of pasta-based side dishes.

CONSOLIDATED DIRECTORS' REPORT FOR 2011 (expressed in thousands of euros)

Not only does Ebro Foods make a consistent effort in terms of innovation, it has also turned it into its main activity. Consequently, sales of ready-to-serve rice now account for 21% of the sales achieved under the Minute brand in the US with annual growth of over 15% while fresh product growth has benefited in particular from new products such as pre-cooked gnocchi.

- Growth and consolidation of synergies. Ebro Foods is a group specialising in foodstuffs that has a major presence in North America and Europe. Companies are acquired on the basis of selective criteria in areas that enable synergies to be amply integrated.

  The acquisitions made in 2011 have placed the Group at the top of the rice market in the Netherlands and the medium-grain rice market in Spain and, as a result of the sales obtained under the Abu Bint brand, the Group has also gained a foothold in a market with huge potential, i.e. the Middle East.

  The subsidiaries in Germany have been internally consolidated by concentrating services at the headquarters in Hamburg and eliminating unprofitable businesses.

Both growth and innovation depend on an investment strategy that requires that virtually all of the production capacity of the instant rice and fresh pasta segments be renewed. Comparable CAPEX (eliminating the investments of the discontinued businesses) in the last three years is as follows:

Year	Amount Thousands of euros
2009	78,658
2010	64,691
2011	66,596

The impact of the new rice factory in Memphis can be seen in particular in the figure for 2009 although investments in machinery were concluded in 2011. In 2011 the largest investments relate to the renewal plan for the pasta business and the ready-to-serve rice factory adjacent to the Memphis factory.

CONSOLIDATED DIRECTORS' REPORT FOR 2011 (expressed in thousands of euros)

Financial position

The debt position at the end of the period was especially satisfactory.

NET DEBT

NET DEBT (Thousands of Euros)	CONSOLIDATED FIGURES				
	2009	2010	2010/2009	2011	2011/2010
Equity	1,280,322	1,592,743	24.4%	1,587,298	-0.3%
Net debt	556,800	17,600	-96.8%	390,073	2116.3%
Average net debt	716,725	378,336	-47.2%	139,157	-63.2%
Leverage	43.5%	1.1%	-97.5%	24.6%	2123.9%
Leverage, average debt ***(1)***	56.0%	23.8%	-57.6%	8.8%	-63.1%
EBITDA	243,824	267,479	9.7%	273,106	2.1%
Hedge	2.31	0.07		1.43	

(1) Ratio of average net financial debt and borrowing costs divided by equity (excluding non-controlling interests)

Following the completion of the aforementioned acquisitions and the payment of an extraordinary dividend to the shareholders, the financial position remained comfortable, making it possible to sustain a high rate of internal investment and to continue to explore the market in search of opportunities that will complement the Group's strategy.

Main businesses

The Ebro Foods Group is organised around the following business areas:

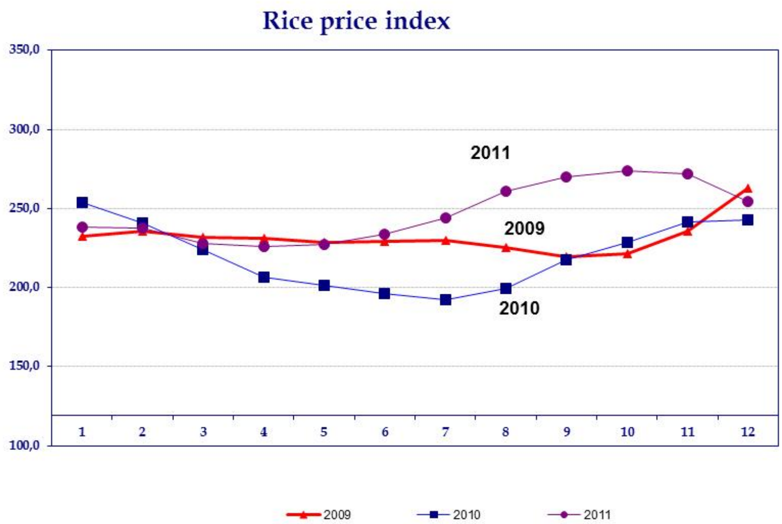
- ✓ Rice Business - includes the industrial and branding activities in relation to rice and other products. The Group operates throughout Europe, the Mediterranean region, the Middle East, North America and Thailand through Herba, Riviana and ARI (US).
- ✓ Pasta Business - includes the production and marketing of dry and fresh pasta, sauces and semolina carried on by the Panzani, New World Pasta and Birkel Groups.
- ✓ Other Businesses - include the management of real estate assets and other activities related to foodstuffs and the management of the various businesses.

RICE

RICE BUSINESS Thousands of Euros		2009	2010	2010/2009	2011	2011/2010	AAGR 2011/2009
Net sales		836,147	811,558	-2.9%	920,752	13.5%	**4.9%**
EBITDA		118,561	123,263	4.0%	135,953	10.3%	**7.1%**
	% of net sales	14.2%	15.2%		14.8%		
EBIT		97,575	99,019	1.5%	113,698	14.8%	**7.9%**
	% of net sales	11.7%	12.2%		12.3%		
Average working capital		185,446	181,782	2.0%	231,686	-27.5%	
Capital employed		495,768	506,347	-2.1%	582,158	-15.0%	
ROCE		20	20		19		
Capex		55,138	37,855	-31.3%	26,950	-28.8%	

- As indicated in the section on the backdrop for 2011, prices stabilised to an extent until news of the export restrictions in Thailand unfolded because the prices guaranteed by the government were much higher than those on the market. There was some uncertainty for a few months, which affected the market price in neighbouring Vietnam and, consequently, the other exporting countries. Once it became known that India would open its exports (limited to varieties of basmati rice until after summer due to government legislation), that these exports would not be subject to a quota and that there were generally good harvest levels in the east Asian countries and once it was established that the Thai authorities would not need to place the huge quantity of rice that they had in storage on the market, prices began to ease.

- Production during the 2010/11 marketing year was somewhat shorter than in 2009/10 in Europe and the US. However, it was sufficient to cover existing expectations. Production of varieties of long grain rice in the US was lower than in the prior marketing year but of a higher quality, while stocks of medium-grain rice (Calrose and other varieties) recovered and their prices fell.



- Area sales increased as a result of the contribution of new businesses (EUR 87 million) and the application of new contracts containing adjusted prices following the increase in prices at source at the end of 2010. In the US, Riviana increased certain prices at the beginning of the year. However, it had a scant impact on the year-on-year area comparison due to the effect of the exchange rate.

- The market followed the trend witnessed in recent years, with growth of ready-to-serve rice (with certain exceptions in countries severely affected by the crisis such as Portugal), brown rice and aromatic rice (changing on the basis of local preferences). Group sales also follow these trends, with excellent sales of certain special varieties of rice and specifically adapted flour, which are worked with at the La Rinconada R&D plant.

- Year-on-year EBITDA was up 10%. If we exclude the contribution of the new SOS businesses, growth remains pegged at approximately 6% despite the negative effect of the USD/EUR exchange rate, which amounts to EUR 4 million. The biggest contribution to the growth of the pre-existing business was made by the European businesses (Herba) since Riviana, whose contribution grew by USD 2 million, was marred by the reduced yield of its instant rice lines compared to the forecast yield and the delays in the mechanisation of its packaging and pallet lines at the Memphis factory, which stand at USD 10 million. In the last four months of the year, the factory's productivity was at the levels required due to the new improved-quality harvest and having overcome the learning curve.

CONSOLIDATED DIRECTORS' REPORT FOR 2011 (expressed in thousands of euros)

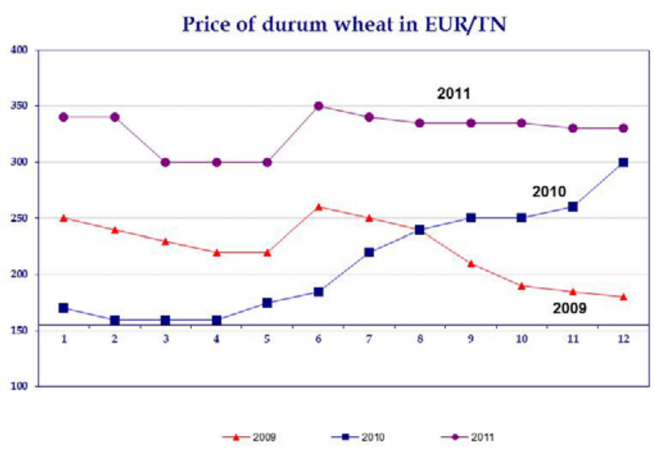
- The increase in working capital caused by the increase at the end of 2010, the needs to cover a larger market due to new acquisitions and the desire to avoid friction in the inclusion of new businesses in the Group's structure (ARI's systems and equipment were fully integrated at the beginning of 2012) increased the Group's working capital and had an impact on the area's ROCE, which fell to 18.8% following record levels in the two prior years.

- The main investments in the area relate to the latest equipment installed at the Memphis factory (USD 8 million) and the adjacent ready-to-serve rice factory (USD 10 million) that came into service in December 2011.

PASTA

PASTA BUSINESS Thousands of Euros		2009	2010	2010/2009	2011	2011/2010	AAGR 2011/2009
Net sales		928,077	916,101	*-1.3%*	928,297	*1.3%*	***0.0%***
EBITDA		137,057	160,484	*17.1%*	144,457	*-10.0%*	***2.7%***
	% of net sales	*14.8%*	*17.5%*		*15.6%*		
EBIT		108,831	133,741	*22.9%*	119,064	*-11.0%*	***4.6%***
	% of net sales	*11.7%*	*14.6%*		*12.8%*		
Average working capital		91,292	60,427	*33.8%*	69,173	*-14.5%*	
Capital employed		469,915	442,061	*5.9%*	456,917	*-3.4%*	
ROCE		23.2	30.3		26.1		
Capex		18,359	32,652	*77.9%*	38,095	*16.7%*	

- A particularly turbulent year. The increases in wheat prices at the end of 2010 were consolidated and were even exceeded mid-year as the news on heavy rain, floods and reductions in the harvested area unfolded. An unusual circumstance arose when prices began to drop like in the case of other grains. As a result of the difficulties in the durum wheat market, there was a large difference in the price of this wheat with respect to other types of wheat, which reached EUR 177 per mt, something that had not happened since the beginning of 2008 in the middle of the raw materials crisis.



- The immediate reaction was to announce price increases, which continued throughout the year. Specifically, there were three increases totalling USD 0.22 per 1lb packet of pasta in the US and EUR 0.16/kg in Europe. Of course, these increases were the result of an immense negotiating effort involving distribution and generally had positive results.

However, they required significant promotional efforts in order to boost consumption, which had already been weakened due to the economic situation.

- There was a moderate increase in sales despite the price increases, due to the discontinuation of certain activities that were scantly profitable in the US (own brand) and Germany (where extensive restructuring took place) and the negative effect of the exchange rate on sales in US dollars.

- The circumstances in the industry gave rise to a reduction in the contribution from this area. The impact was uneven because Panzani improved its results, volume and sales figures with record dry pasta and fresh pasta quotas, while NWP in the US faced a very aggressive strategy from the competition, with a substantial loss of profit which it fought by making additional promotional endeavours and by transferring volumes to less strategic channels and products.

- Lastly, the greatest difficulties arose in Germany where prices were very competitive and the main competitors increased their promotions by 50%, which can be seen in the shrinking value of the pasta market (2.8%) from October 2010 to October 2011, despite the rise in raw material prices. This situation and the difficulty of passing on any price increase, coupled with shrinking margins, led to a complete restructuring of the Group’s presence by concentrating its activities on the most profitable brands (Birkel and 3 Gloken).

- EBITDA decreased 10% to EUR 144.5 million (EUR 147 million excluding the exchange rate effect). ROCE fell to 26.1%.

- CAPEX grew as a result of the three-year investment plan in the area. The biggest investments made include a new line of short-cut pasta at the Saint Louis factory for USD 7 million, EUR 4 million to renew the dry pasta facilities, EUR 3.5 million to start up the new ERP system and EUR 2.5 million to extend the storage facilities for fresh products.

2. OUTLOOK FOR THE GROUP

The economic outlook for 2012 includes a recession across Europe and slow growth in other developed economies. The impact of this situation on consumption was already evident in the last quarter of 2011 and food products, even basic food items found in the shopping basket, are no exception. Prices factor will foreseeably be considered to a greater extent by a certain percentage of the population and brands are likely to have to go the extra mile to stand out and achieve a price-quality balance.

The expectations in the rice and wheat markets are good with stable rice prices, except for certain specific varieties and a foreseeable drop in durum wheat until the next harvest.

Ebro Foods should finish the inclusion of the purchases made and maintain the processes of innovation that place it in a league of its own.

✓ **Rice business**

The Memphis factory will become fully automated at the end of the first quarter and the line of ready-to-serve pots will be at full capacity. The inclusion of the Freeport factory will also represent an important competitive advantage to import and export operations.

Investments were approved in India and Argentina which will increase import opportunities and make the Company’s structure even more flexible.

- ✓ **Pasta**

The Group is still committed to innovation and to making fresh products the focus of growth. The initial payments relating to a new fresh pasta factory were made, which will be fundamental to this strategy.

In addition, the improvements in production arising from the restructuring of the business in Germany and the substantial investments in dry pasta production are worthy of note.

3. R&D+i ACTIVITIES

Ebro Foods has always been ahead of new consumer trends and is an international benchmark in the research and development of products applied to the food industry. Aware that R&D+i is an essential tool for the implementation of its quality and differentiation strategy, in 2011 the Group continued its unwavering commitment in this connection once it became disassociated with Puleva Biosearch, which was a driving force for innovation for many years.

The total investment in 2011 amounted to EUR 5.6 million, which was distributed between internal resources (EUR 3.5 million) and external resources (EUR 2.1 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 2011 its business activities focused on extending the range of Lunch Box products, pre-cooked gnocchi and risotto sauces and on preparing the new launches for 2012.

2. CRECERPAL, located in Marseilles, with fourteen technicians working in a laboratory on raw materials and analysis, focuses research on the development of the category of durum wheat, dry pasta, couscous and new food processing technologies applied to cereals. In 2011 work was carried out in particular on a new dry pre-cooked pasta, a new variety of pre-cooked couscous and the extended range of pre-cooked rice.

3. TECH Centre, with three researchers engaging in the research and subsequent development of new products, processes and technologies for the rice division in the US. Their work has centred on obtaining the permits and certification for the ready-to-serve pots at the new factory from the Food and Drug Administration while they continue the tests relating to the adaptation of local rice at their pilot factory.

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, i.e. fast-food and

catering. The most significant project under way consists of the development of a line of functional flours, which is expected to yield benefits by creating a new line of products in the short term.

4. TREASURY SHARE TRANSACTIONS

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

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, influenced by the conceptual framework of the "Committee of Sponsoring Organizations of the Treadway Commission" (COSO) report over internal control has implemented certain risk identification, measurement, management and reporting systems.

In 2011 a risk map was implemented at Group level, which is supported by an IT software tool called GIRO. The risk map includes a risk matrix for the whole Group and by individual company, including the probability of occurrence of these risks, their related impact and the protocols to be put in place to mitigate these risks.

The ultimate objective of these risk control systems is to safeguard the interests of our shareholders, customers, employees and our corporate environment. At the same time, these systems guarantee the corporate reputation and the financial soundness of the Ebro Foods Group on an ongoing basis.

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 is brands and intellectual property. Therefore, the Group 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 safety and quality 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) compliance 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 Group 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 Group 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 against this type of risk is innovation and ongoing product differentiation. Also, the Group endeavours to keep up to date and renew its production structure by retiring the assets that it does not consider to be sufficiently efficient (restructuring in Germany) and by investing in new factories (Memphis) or production lines (pasta).

Risks specific to the Ebro Foods Group

Risks to production assets. The exposure of the Group'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 renowned 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.

Risk related with the R&D+i technological delay. Through its research and development subsidiaries, the Group 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 promotional coverage.

Occupational risk. 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 fosters the improvement of working conditions. 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.

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, or non-derivatives (financing in foreign currencies) to minimise or mitigate the risk.

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

Interest rate risk arising on financing denominated in euros or in foreign currency and at a floating interest rate (due to the potential changes in the cash flows associated with the interest payments on borrowings due to changes in interest rates). The Group is exposed to the risk of changes 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

Foreign currency risk due to assets, liabilities, net investment in foreign operations or transactions in currencies other than the euro and to the potential change to the associated cash flows in euros to changes in the spot rate.

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 exchange-rate 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 2011, "Other Loans" included two loans totalling USD 374 million (31 December 2010: USD 411 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 this loan are recognised in equity to offset any gains or losses on the translation of the net assets at these 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 companies in the rice business (Herba, S&B Herba and Euryza) and in the pasta business (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 Deoleo (formerly SOS Corporación Alimentaria, S.A.) and Biosearch which are included as available-for-sale assets in the consolidated balance sheet at 31 December 2011 (see Note 12 to the accompanying consolidated financial statements) and the changes in the fair value thereof are reflected for accounting purposes in the Group'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 2011 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.

The Group's policy with respect to commercial transactions 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

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

9. ANNUAL CORPORATE GOVERNANCE REPORT

Pursuant to legislation currently in force, the following section of the consolidated directors' report includes the 2011 Annual Corporate Governance Report of Ebro Foods, S.A. as required by the Spanish National Securities Market Commission.