FINANCIAL STATEMENTS AND DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

EBRO FOODS, S.A.

(formerly EBRO PULEVA, S.A.)

CONTENTS

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

EBRO FOODS, S.A.
BALANCE SHEETS AT 31 DECEMBER 2010 AND 2009
Thousands of euros

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

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

EBRO FOODS, S.A.
BALANCE SHEETS AT 31 DECEMBER 2010 AND 2009
Thousands of euros

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

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

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

EBRO FOODS, S.A. INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009 Thousands of euros	Notes	2010	2009
CONTINUING OPERATIONS			
Revenue		**16,777**	**74,823**
Services		4,497	0
Dividends from Group companies	**8 and 17**	11,962	73,174
Interest revenue from Group companies	**17**	318	1,649
Other operating income		**2,991**	**7,009**
Non-core and other current operating income		2,991	7,009
Income-related grants transferred to profit or loss		0	0
Staff costs		**(11,628)**	**(10,138)**
Wages, salaries and similar expenses		(9,989)	(7,501)
Employee benefit costs		(933)	(813)
Provisions		(706)	(1,824)
Other operating expenses		**(12,751)**	**(14,022)**
Outside services		(9,369)	(10,814)
Taxes other than income tax		(1,027)	(1,414)
Other current operating expenses		(2,355)	(1,794)
Depreciation and amortisation charge	**5, 6 and 7**	**(709)**	**(360)**
Excessive provisions		**0**	**59**
Impairment and gains on disposals of non-current assets		**171,882**	**17,667**
Impairment and other losses	**6**	(3,824)	0
Gains or losses on disposals and other	**5 and 6**	175,706	17,667
PROFIT FROM OPERATIONS		**166,562**	**75,038**
Finance income		**5,642**	**2,519**
From marketable securities and other financial instruments:			
Associates	**17**	0	105
Third parties		5,642	2,414
Finance costs		**(9,659)**	**(17,807)**
On debts to Group companies and associates	**17**	(1,321)	(3,223)
On debts to third parties		(6,747)	(12,894)
Interest cost relating to provisions	**14**	(1,591)	(1,690)
Exchange differences	**9**	**(2,778)**	**879**
Impairment and gains or losses on disposals of financial instruments		**309,128**	**103,349**
Impairment and other losses	**8**	(15,893)	(4,329)
Gains or losses on disposals and other	**8**	325,021	107,678
FINANCIAL PROFIT		**302,333**	**88,940**
PROFIT BEFORE TAX		**468,895**	**163,978**
Income tax	**15**	**(104,735)**	**167**
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**364,160**	**164,145**
DISCONTINUED OPERATIONS			
Profit/Loss for the year from discontinued operations net of tax		**0**	**0**
PROFIT FOR THE YEAR		**364,160**	**164,145**

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

EBRO FOODS, S.A. STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009 Thousands of euros	Notes	2010	2009
A) Profit per income statement		**364,160**	**164,145**
Income and expense recognised directly in equity			
I. Arising from revaluation of financial instruments.			
1. Available-for-sale financial assets.	**9**	51,574	
2. Other income/expenses.			
II. Arising from cash flow hedges.			
III. Grants, donations or gifts and legacies received.			
IV. Arising from actuarial gains and losses and other adjustments.			
V. Tax effect.		(15,472)	
B) Total income and expense recognised directly in equity		**36,102**	**0**
Transfers to profit or loss			
VI. Arising from revaluation of financial instruments.			
1. Available-for-sale financial assets.			
2. Other income/expenses.			
VII. Arising from cash flow hedges.			
VIII. Grants, donations or gifts and legacies received.			
IX. Tax effect.			
C) Total transfers to profit and loss		**0**	**0**
TOTAL RECOGNISED INCOME AND EXPENSE (A + B + C)		**400,262**	**164,145**

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

EBRO FOODS, S.A.
STATEMENTS OF CHANGES IN TOTAL EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009

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

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

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

EBRO FOODS, S.A. STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2009 Thousands of euros	Notes	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		**(83,624)**	**26,359**
1. Profit for the year before tax.		**468,895**	**163,978**
2. Adjustments for:		**(485,284)**	**(179,697)**
a) Depreciation and amortisation charge.	5,6 and 7	709	360
b) Impairment losses (+/_)	8	19,717	4,329
c) Changes in provisions (+/_)(+)	14	502	1,666
e) Losses on derecognition and disposal of non-current assets (+/-),	5	(175,706)	(17,667)
f) Losses on derecognition and disposal of financial instruments (+/_).	8	(325,021)	(107,678)
g) Finance income (_)		(5,960)	(2,519)
h) Finance costs (+)		9,659	17,807
i) Exchange differences (+/_)	9.1	2,778	(879)
k) Other income and expenses (_/+).		(11,962)	(75,116)
3. Changes in working capital.		**(3,449)**	**690**
b) Trade and other receivables (+/_)		179	(1,632)
d) Trade and other payables (+/_)		(330)	2,322
f) Other non-current assets and liabilities (+/_).		(3,298)	0
4. Other cash flows from operating activities.		**(63,786)**	**41,388**
a) Interest paid (_)		(6,989)	(14,764)
b) Dividends received (+).		11,241	62,674
c) Interest received (+).		4,598	2,886
d) Income tax recovered (paid) (+/_)		(72,636)	(9,408)
CASH FLOWS FROM INVESTING ACTIVITIES		**663,466**	**314,976**
6. Payments due to investment (-)		**(50,637)**	**(2,760)**
a) Group companies and associates		(2)	(2,658)
b) Intangible assets	5	(1,288)	0
c) Property, plant and equipment	6	(941)	(60)
d) Investment property	7	(650)	(40)
e) Other financial assets		(47,756)	(2)
7. Proceeds from disposal (+)		**714,103**	**317,736**
a) Group companies and associates		529,275	282,170
b) Intangible assets		181,111	30,006
c) Property, plant and equipment		1,089	9
d) Investment property		2,628	2,434
e) Other financial assets		0	2
g) Other assets		0	3,115
CASH FLOWS FROM FINANCING ACTIVITIES		**(169,196)**	**(314,208)**
9. Proceeds and payments relating to equity instruments		**9,928**	**9,062**
c) Purchase of treasury shares (-)		0	(10,211)
d) Disposal of treasury shares (+)		9,928	19,273
10. Proceeds and payments relating to financial liability instruments		**(73,814)**	**(214,927)**
a) Issue of		**137,558**	**4,050**
2. Bank borrowings (+)		12,037	0
3. Borrowings from Group companies and associates (+)		125,521	4,050
b) Repayment of		**(211,372)**	**(218,977)**
2. Bank borrowings (-)		(215,799)	(149,404)
3. Borrowings from Group companies and associates (-)		4,427	(69,573)
11. Dividends and returns on other equity instruments paid		**(105,310)**	**(108,343)**
a) Dividends (-)		(105,310)	(108,343)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(69)**	**(18)**
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**410,577**	**27,109**
Cash and cash equivalents at beginning of year		**27,125**	**16**
Cash and cash equivalents at end of year		**437,702**	**27,125**

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

Translation of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.

1. COMPANY ACTIVITIES

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

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

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

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

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

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

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

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

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

Ebro Foods, S.A. is the head of the consolidated Group consisting of it, as the parent, and the subsidiaries and associates with which it presented separately consolidated financial statements for 2010, authorised for issue by the directors of Ebro Foods, S.A. on 30 March 2011. The consolidated financial statements for 2009 were approved by the shareholders at the Annual General Meeting of Ebro Foods, S.A. on 1 June 2010 and were filed at the Madrid Mercantile Registry.

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

The main aggregates in the consolidated financial statements for 2010 and 2009, prepared in accordance with Final Provision Eleven of Law 62/2003, of 30 December, applying International Financial Reporting Standards as approved by the Regulations of the European Commission, are as follows:

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

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

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

Regulatory financial reporting framework applicable to the Company

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

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

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

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

d) All other applicable Spanish accounting legislation.

Fair presentation

The accompanying financial statements, which were obtained from the Company's accounting records, are presented in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein and, accordingly, present fairly the Company's equity, financial position, results of operations and cash flows for 2010.

These financial statements, which were formally prepared by the Company's directors, will be submitted for approval by the shareholders at the Annual General Meeting, and it is considered that they will be approved without any changes. The financial statements for 2009 were approved by the shareholders at the Annual General Meeting held on 1 June 2010.

Comparative information

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

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

Key issues in relation to the measurement and estimation of uncertainty

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

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

Taxation

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

Impairment of non-financial assets

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

Deferred tax assets

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

Provisions

The Company recognises provisions for contingencies in accordance with the accounting policy indicated in Note 4-n to these financial statements. The Company made judgments and estimates as to the probability that these contingencies will become liabilities and the amount thereof, recognising a provision whenever the risk was considered probable, estimating the cost that gave rise to the related obligation (see Note 14). Although these estimates were made on the basis of the best information available at 2010 year-end, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively.

Corporate transactions performed in 2010 affecting the basis of presentation

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

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

   See financial statements for 2003

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

   See financial statements for 2003

(Expressed in thousands of euros)

3. DISTRIBUTION OF PROFIT

	Amount (thousands of euros)
Basis of distribution	
Unrestricted reserves	572,980
Profit for the year	364,160
	937,140

The profit distribution proposal prepared by the directors of Ebro Foods, S.A. at the Board of Directors Meeting of 30 March 2011, which has not yet been approved by the shareholders at the Annual General Meeting, is as follows:

The consolidated profit of the Ebro Foods Group for 2010 makes it possible to propose, as in prior years, to distribute an ordinary dividend payable in cash with a charge to unrestricted reserves of EUR 0.416 per share to be settled in four quarterly payments of EUR 0.104 each on 4 April, 4 July, 3 October and 22 December 2011 for a total of EUR 64,008 thousand.

Limitations on the distribution of dividends

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

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

4. ACCOUNTING POLICIES AND MEASUREMENT BASES

a) Intangible assets

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

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

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

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

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

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

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

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

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

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

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

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

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

c) Investment property

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

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

d) Asset exchange transactions

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

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

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

e) Impairment of non-financial non-current assets

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

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

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

f) Leases

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

If the company acts as the lessee:

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

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

If the Company acts as the lessor

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

g) *Financial assets*

1) Classification and measurement

1.1) Loans and receivables

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

Loans and receivables are initially recognised in the balance sheet at fair value which, unless there is evidence to the contrary, is the transaction price, which is equal to the fair value of the consideration paid plus any directly attributable transaction costs. These financial assets are subsequently measured at amortised cost.

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

1.2) Held-to-maturity investments

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

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

These financial assets are subsequently measured at amortised cost.

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

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

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

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

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

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

1.4) Held-for-trading financial assets

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

They are initially recognised at fair value in the balance sheet which, unless there is evidence to the contrary, is the transaction price. Any directly attributable transaction costs are recognised in the income statement.

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

“Held-for-Trading Financial Assets” are initially recognised at fair value including any transaction costs that might be incurred on disposal. Any changes in fair value are recognised in profit or loss.

1.5) Available-for-sale financial assets

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

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

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

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

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

1.6) Hedging derivatives

Hedging derivatives include the financial derivatives classified as hedging instruments.

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

2) <u>Derecognition</u>

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

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

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

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

3) Interest and dividends received from financial assets

Interest and dividends from financial assets earned after the date of acquisition are recognised as revenue. Interest must be recognised using the effective interest method and dividend revenue must be recognised when the shareholder's right to receive payment is established.

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

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

h) Impairment of financial assets

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

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

Debt instruments

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

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

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

The Company considers the fair value of listed instruments to be a substitute for the present value of the future cash flows, provided that it is sufficiently reliable.

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

Equity instruments

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

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

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

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

i) <u>Financial liabilities</u>

1) <u>Classification and measurement</u>

1.1) Accounts payable

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

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

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

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

1.2) Held-for-trading financial liabilities:

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

1.3) Hedging derivatives

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

2) Derecognition

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

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

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

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

j) Hedge accounting

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

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

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

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

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

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

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

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

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

k) <u>Treasury shares</u>

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

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

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

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

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

m) <u>Government grants</u>

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

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

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

n) Provisions and contingencies

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

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

o) Long-term employee benefit obligations

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

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

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

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

p) Income tax

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

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

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

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

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

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

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

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

q) <u>Non-current assets and disposal groups classified as held for sale</u>

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

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

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

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

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

r) <u>Current/Non-current classification</u>

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

s) <u>Revenue and expense recognition</u>

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

<u>Revenue from sales and services rendered</u>

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

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

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

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

c) The amount of revenue can be measured reliably;

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

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

t) <u>Discontinued operations</u>

Income and expenses from discontinued operations are included in a single line item, net of the related tax effect, under "Profit (Loss) for the Year from Discontinued Operations Net of Tax". It also includes the gain or loss after tax resulting from the measurement at fair value less costs to sell of the assets or disposal groups constituting the discontinued operation.

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

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

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

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

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

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

v) Environmental assets and liabilities

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

w) Termination benefits

Under current legislation, the Company is required to pay termination benefits to employees terminated under certain conditions. Therefore, termination benefits that can be reasonably quantified are recognised as an expense in the year in which the decision to terminate the employment relationship is taken. The accompanying financial statements do not include any provision in this connection, since no situations of this nature are expected to arise.

x) Related party transactions

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

5. INTANGIBLE ASSETS

The detail of “Intangible Assets” and of the changes therein in 2010 and 2009 is as follows:

(Expressed in thousands of euros)

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

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

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

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

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

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

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

(Expressed in thousands of euros)

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

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

6. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

(Expressed in thousands of euros)

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

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

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

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

The detail of the fully depreciated assets included in property, plant and equipment at 31 December 2010 and 2009 is as follows:

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

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

Operating leases

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

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

(Expressed in thousands of euros)

7. INVESTMENT PROPERTY

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

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

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

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

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

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

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

(Expressed in thousands of euros)

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

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

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

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

8. NON-CURRENT INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES

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

	BALANCE AT 12/31/08	Increases	Decreases	Transfers	BALANCE AT 12/31/09
Equity instruments of Group companies	1,336,466	1,863	(13,935)	0	1,324,394
Equity instruments of associates	0	0	0	0	0
Valuation adjustments	(13,808)	(4,329)	0	0	(18,137)
	1,322,658	**(2,466)**	**(13,935)**	**0**	**1,306,257**
Loans to Group companies	107,691	7,437	(82,583)	0	32,545
Loans to associates	3,117	105	(3,222)	0	0
	110,808	**7,542**	**(85,805)**	**0**	**32,545**
TOTAL INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES	**1,433,466**	**5,076**	**(99,740)**	**0**	**1,338,802**

	BALANCE AT 12/31/09	Increases	Decreases	Transfers	BALANCE AT 12/31/10
Equity instruments of Group companies	1,324,394	51,368	(193,484)	0	1,182,278
Equity instruments of associates	0	0	0	0	0
Valuation adjustments	(18,137)	(13,893)	0	0	(32,030)
	1,306,257	**37,475**	**(193,484)**	**0**	**1,150,248**
Loans to Group companies	32,545	348	(25,546)	0	7,347
Loans to associates	0	0	0	0	0
	32,545	**348**	**(25,546)**	**0**	**7,347**
TOTAL INVESTMENTS IN GROUP COMPANIES AND ASSOCIATES	**1,338,802**	**37,823**	**(219,030)**	**0**	**1,157,595**

a) Equity instruments of Group companies:

The increases and decreases each year relate mainly to:

2010

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

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

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

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

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

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

2009

1. Decrease of EUR 5,617 thousand: the historical acquisition cost of the investment in Riviana Foods Inc. is EUR 240,753 thousand. However, an effective hedge was assigned to this financial asset that hedges its full value with the liability that finances it and, accordingly, any changes in value between the original currency, the US dollar, and its equivalent euro value, will give rise to an adjustment that changes the aforementioned historical cost. In 2009 the adjustment gave rise to a reduction of EUR 5,617 thousand in its value with a charge to the income statement for the year and the total accumulated negative net adjustment amounted to EUR 30,397 thousand at 31 December 2009.

2. Reduction of EUR 7,147 thousand: the historical acquisition cost of the investment in New World Pasta Co. is EUR 285,884 thousand. However, an effective hedge was assigned to this financial asset that hedges its full value with the liability that finances it and, accordingly, any changes in value between the original currency, the US dollar, and its equivalent euro value, will give rise to an adjustment that changes the aforementioned historical cost. In 2009 the adjustment gave rise to a reduction of EUR 7,147 thousand in its value with a charge to the income statement for the year and the total accumulated negative net adjustment amounted to EUR 23,794 thousand at 31 December 2009.
3. Decrease of EUR 47 thousand: sale of 0.12% of the ownership interest in Puleva Biotech, S.A., giving rise to a gain of EUR 49 thousand in 2009.
4. Reduction of EUR 919 thousand as a result of the reimbursement of share capital of the subsidiary Lince Insurance Ltd.
5. Decrease of EUR 205 thousand as a result of the reimbursement of the acquisition cost of the subsidiary Birkel Teigwaren GmbH.
6. Increase of EUR 1,848 thousand as a result of the acquisition of 60% of the share capital of Azucarera Energías, S.A. This acquisition was made from Azucarera Ebro, S.L., a wholly-owned subsidiary, prior to its sale on 30 April 2009 (see Section e) of this Note).
7. Increase of EUR 15 thousand due to the acquisition of an additional 0.06% of the share capital of Arotz Foods, S.A. (to increase the percentage of ownership of this company to 100%).

b) Long-term loans to Group companies:

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

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

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

c) Long-term loans to associates:

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

(Expressed in thousands of euros)

d) Valuation adjustments:

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

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

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

- ABF acquired the sugar business for an amount clear of debt of EUR 385 million. The amount of the debt discounted was that existing at the date on which the transaction was concluded.

- Also, Ebro Foods received approximately EUR 150 million of other compensation relating mainly to the restructuring funds provided for in the reform of the common organisation of the markets (CMO) in the sugar sector.

- In addition, the agreement states that two Group companies wholly owned by Ebro Foods, S.A. have added to their real estate assets, through acquisitions, more than 200 hectares of land of various urban zoning classifications from Azucarera Ebro, S.L., valued at an estimated EUR 42 million.

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

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

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

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

(Expressed in thousands of euros)

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

- As indicated in Note 14, on 20 July 2010, the Criminal Chamber of the Supreme Court handed down an unfavourable judgment whereby, in accordance with the commitments and guarantees assumed by Ebro Foods, S.A., as the seller, on 21 July 2010, the former paid ABF EUR 27.6 million. The interest that will foreseeably be paid in the coming months remains outstanding. With respect to the remaining guarantees for which provisions were recognised, there were no material changes in their position compared to the previous year. In 2010 the Company decided to increase the provision for these guarantees in order to cover all of the risk, which gave rise to an increased expense in 2010 of EUR 13,064 thousand.

- In addition, since it was ultimately not possible to collect certain amounts that were expected to be collected as a portion of the selling price and from the definitive settlement of the restructuring costs relating to the CMO of the sugar sector, an additional expense of EUR 7,999 thousand was recognised in 2010.

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

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

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

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

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

g) Investment commitments

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

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

- In addition, also in relation to the offer made by Ebro Foods, S.A. on 25 November 2010, on 30 March 2011, the acquisition of the rice trademarks relating to the Portuguese market of the SOS Group was formalised for approximately EUR 8 million.

- On 25 November 2010, the Board of Directors of Ebro Foods, S.A. resolved to make an offer for the acquisition of the Australian Group, Ricegrowers Limited-SunRice (SunRice), having completed the due diligence for this Group and finalised the wording of the definitive terms of the agreement (Scheme Implementation Agreement, SIA), which will be submitted for approval by SunRice's shareholders in May. In accordance with the definitive terms of the transaction, Ebro Foods, S.A. will purchase all of the share capital of SunRice for AUD 600 million (approximately EUR 440 million). As part of the agreements reached, Ebro will sign a Rice Acquisition Framework Agreement for the coming years, establishing a number of general principles to apply upon completion of the transaction, whereby SunRice undertakes to purchase rice harvests from Australian farmers using price-setting mechanisms, create a Farmers' Advisory Council and make a commitment towards the development of local communities and the promotion of R&D +i.

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

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

None of the Group companies are officially listed, except for Biosearch, S.A. which has been listed on the stock market since 17 December 2001. The average market price in the last quarter of 2010 and the year-end market price were EUR 0.70 (2009: EUR 1.19) and EUR 0.62 (2009: EUR 0.94), respectively, per share.

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

(Expressed in thousands of euros)

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

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

(a) Whenever "Group" appears after the name of the subsidiary, the figures relating to share capital, reserves and results correspond to the consolidated figures of the aforementioned company and its subsidiaries and associates before the dividend for 2010 was paid. To unify the information presented relating to the various groups or companies, the figures relating to share capital, reserves and results are those obtained by applying the International Financial Reporting Standards adopted by the European Union.

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

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

(Expressed in thousands of euros)

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

SUBSIDIARIES	Investment	Impairment loss (b)	Percentage of ownership	Registered office	Line of business	(a) Share capital and reserves	(a) 2009 profit (loss)	Dividend paid in 2009	Total shareholders' equity	Profit (Loss) from operations
Dosbio 2010, S.L.	21,519	(7,104)	100.00%	Madrid (Spain)	Manufacture of flour	14,415	297	-	14,712	710
Fincas e Inversiones Ebro, S.A.	4,926	-	100.00%	Madrid (Spain)	Farming	13,332	5,326	10,500	29,158	6,702
Azucarera Energías, S.A.	1,848	-	60.00%	Madrid (Spain)	Combined heat and power generation	3,528	(1,547)	-	-	(686)
Arotz Foods, S.A.	22,864	-	100.00%	Madrid (Spain)	Preservation of vegetables	29,354	105	-	29,459	(468)
Puleva Food S.L. (Group)	180,612	-	100.00%	Granada (Spain)	Production of dairy products	269,318	29,537	10,876	309,731	38,131
Lactimilk, S.A.	10,292	-	100.00%	Granada (Spain)	Production of dairy products	21,315	5,148	-	26,463	9,146
Herba Foods, S.L.	50,676	-	100.00%	Madrid (Spain)	Investment management	83,653	(560)	-	83,093	(424)
Herba Ricemills, S.L.	69,078	-	100.00%	Madrid (Spain)	Production and sale of rice	75,583	949	-	76,532	2,778
Herba Nutrición, S.L.	526	-	100.00%	Madrid (Spain)	Production and sale of rice	11,977	7,110	4,988	24,075	9,293
Puleva Biotech, S.A. (Group)	20,365	-	50.90%	Granada (Spain)	Development and marketing of new products	37,018	(9,427)	-	27,591	(235)
Jiloca Industrial, S.A.	1,500	-	100.00%	Teruel (Spain)	Production of organic fertilizer	1,668	330	363	2,361	534
Beira Terrace Soc.de Const., Ltda.	3,360	(2,741)	100.00%	Oporto (Portugal)	Real estate	948	(329)	-	619	(172)
Riceland, Ltda. (*)	597	-	20.00%	Budapest (Hungary)	Production and sale of rice	1,180	(214)	-	966	38
Riviana Foods Inc (Group) (**)	210,356	-	75.00%	Houston (Texas-US)	Production and sale of rice	285,047	32,859	-	317,906	42,166
Panzani, SAS (Group)	440,838	-	100.00%	Lyon (France)	Production and sale of pasta and sauces	518,802	37,772	-	556,574	58,982
New World Pasta Comp. (Group)	262,091	-	100.00%	Harrisburg (US)	Production and sale of pasta and sauces	294,017	30,349	-	324,366	48,029
Lince Insurance Ltd.	2,581	-	100.00%	Dublin (Ireland)	Insurance	3,168	249		3,417	249
Birkel Teigwaren Gmbh (Group)	20,365	(8,292)	100.00%	Germany	Production and sale of pasta and sauces	15,996	(3,021)	-	12,975	(2,806)
TOTAL	**1,324,394**	**(18,137)**						**26,727**		
					Dividendo entregado por Azucarera Ebro, S.L. antes de su venta			**46,447**		
								73,174		

(a) Whenever “Group” appears after the name of the subsidiary, the figures relating to share capital, reserves and results correspond to the consolidated figures of the aforementioned company and its subsidiaries and associates before the dividend for 2010 was paid. To unify the information presented relating to the various groups or companies, the figures relating to share capital, reserves and results are those obtained by applying the International Financial Reporting Standards adopted by the European Union.

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

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

(Expressed in thousands of euros)

9. FINANCIAL INSTRUMENTS

9.1 Financial assets

The detail of financial assets, except for the equity investments in Group companies, jointly controlled entities and associates (see Note 8) at 31 December 2010 and 2009 is as follows:

NON-CURRENT FINANCIAL INSTRUMENTS (Assets)	Equity instruments		Debt securities		Loans and receivables and derivatives		TOTAL	
Categories	12/31/10	12/31/09	12/31/10	12/31/09	12/31/10	12/31/09	12/31/10	12/31/09
Assets at fair value through profit or loss:								
a) Held for trading							0	0
b) Other							0	0
Held-to-maturity investments							0	0
Loans and receivables					14,418	60,181	14,418	60,181
Available-for-sale financial assets:								
a) At fair value	99,331	0					99,331	0
b) At cost							0	0
Hedging derivatives							0	0
TOTAL	99,331	0	0	0	14,418	60,181	113,749	60,181

CURRENT FINANCIAL INSTRUMENTS (Assets)	Equity instruments		Debt securities		Loans and receivables and derivatives		TOTAL	
Categories	12/31/10	12/31/09	12/31/10	12/31/09	12/31/10	12/31/09	12/31/10	12/31/09
Assets at fair value through profit or loss:								
a) Held for trading							0	0
b) Other							0	0
Held-to-maturity investments							0	0
Loans and receivables					21,635	46,490	21,635	46,490
Available-for-sale financial assets:								
a) At fair value							0	0
b) At cost							0	0
Hedging derivatives							0	0
TOTAL	0	0	0	0	21,635	46,490	21,635	46,490

Available-for-sale financial assets

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

(Expressed in thousands of euros)

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

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

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

Exchange differences recognised in profit or loss

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

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

(Expressed in thousands of euros)

Financial liabilities

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

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

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

a) Bank borrowings: see Note 13

b) Derivatives and other payables:

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

Thousands of euros	2010	2009
Non-current		
Derivatives	0	0
Guarantees	27	27
	27	**27**
Current		
Derivatives	0	0
Trade and other payable	13,730	9,413
Outstanding dividends payable	46,160	0
Other financial liabilities	676	687
	60,566	**10,100**

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

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

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

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

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

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

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

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

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

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

(Expressed in thousands of euros)

10. TRADE AND OTHER RECEIVABLES

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

Thousands of euros	12/31/2010	12/31/2009
Trade receivables for sales and services	439	37
Receivable from Group companies and associates (Note 17)	6,397	7,675
Sundry accounts receivable	1	2,207
Employee receivables	79	8
Current tax assets (Note 15)	177	23,043
Other accounts receivable from public authorities	813	155
	7,906	**33,125**

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

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

11. CASH AND CASH EQUIVALENTS

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

There are no restrictions on the availability of cash.

12. SHAREHOLDERS’ EQUITY

a) Registered share capital: at 31 December 2010 and 2009 the share capital was represented by 153,865,392 fully subscribed and paid bearer shares of EUR 0.60 par value each traded on the Spanish Stock Exchanges. All the shares are of the same class and confer the same rights.

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

- Instituto Hispánico del Arroz, S.A.: direct holder of 13,588,347 (2009: 13,588,347) shares representing 8.831% (2009: 8.831%) and indirect holder, through Hispafoods Invest, S.L., of 10,600,210 (2009: 10,600,210) shares representing 6.889% (2009: 6.889%). In total, holder of 24,188,557 (2009: 24,188,557) shares representing 15.721% (2009: 15.721%).

- Sociedad Anónima Damm: indirect holder, through Corporación Económica Damm, S.A., of 14,350,000 (2009: 10,300,000) shares representing 9.326% (2009: 6.694%).

- Sociedad Estatal de Participaciones Industriales: indirect holder, through Alimentos y Aceites, S.A., of 13,315,016 (2009: 13,315,016) shares representing 8.654% (2009: 8.654%).

- Corporación Financiera Alba, S.A.: indirect holder, through Alba Participaciones, S.A., of 8,777,719 shares representing 5.70%. It became a significant shareholder on 9 September 2010.

- Lolland, S.A.: indirect holder, through Casa Grande Cartagena, S.L., of 7,693,290 (2009: 9,707,778) shares representing 5.000% (2009: 6.309%).

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

c) Legal reserve: companies that report a profit for the year must transfer 10% of that net profit to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve cannot be distributed except in the event of dissolution but it can be used to offset losses, provided that sufficient other reserves are not available, for this purpose, and to increase capital, provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. At 31 December 2010 and 2009, the legal reserve had reached the legally required minimum.

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

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

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

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

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

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

g) Dividends paid in 2010:

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

a) As a result of the Ebro Foods Group's consolidated profit for 2009, it was resolved to distribute an ordinary dividend payable in cash out of unrestricted reserves of EUR 0.40 per share in four quarterly payments of EUR 0.10 each, on 5 April, 1 July, 1 October and 23 December 2010, for a total of EUR 61,546 thousand.

b) Also, and on an independent basis, with the condition that the dairy product business was successfully sold, an extraordinary dividend was approved consisting of a cash payment out of unrestricted reserves of EUR 0.60 per share (in addition to the ordinary dividend) in four payments of EUR 0.15 each, on 1 October and 23 December 2010 and 4 April and 4 July 2011, and totalling EUR 92,319 thousand (see Note 9.2-b).

h) Valuation adjustments

See Note 9.1

13. BANK BORROWINGS

The detail of “Non-Current Payables - Bank Borrowings” and “Current Payables - Bank Borrowings” at 31 December 2010 and 2009 is as follows (in thousands of euros):

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

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

- A syndicated loan agreement entered into in November 2004, novated in May 2005 and again in November 2006 and April 2009, amounting to EUR 287.9 million, which was repaid in full in 2010 in accordance with the repayment schedule (At 31 December 2009, EUR 71 million remained outstanding). This euro loan bears annual interest at 1-, 3-, 6 or 12-month EURIBOR, plus a market spread.

- A syndicated loan agreement entered into in May 2005, novated in November 2006, April 2009 and August 2010, amounting to USD 221 million (an initial USD 440 million less USD 44 million repaid early in the April 2009 novation and less USD 175 million repaid early in the August 2010 novation), the principal of which will be repaid in six half-yearly instalments of USD 36.8 million from October 2011 onwards. This US dollar loan bears annual interest at 1-, 3-, 6- or 12-month LIBOR plus a market spread.

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

The Company must achieve at all times certain ratios over the term of the three aforementioned loans based on the consolidated financial statements of the Group of which the Company is the parent. The failure to achieve these ratios would increase borrowing costs and, depending on the cases, lead to a situation that could trigger the early repayment of the loans. At 31 December 2010 and 2009, all the ratios were being achieved.

(Expressed in thousands of euros)

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

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

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

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

14. LONG-TERM PROVISIONS

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

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

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

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

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

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

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

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

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

Provision for long-service bonuses

Certain employees of Ebro Foods, S.A. are beneficiaries of long-service bonuses for 25 and 40 years of service covered by an in-house provision at the Company. The provision of EUR 405 thousand (2009: EUR 351 thousand) recognised for these long-service bonuses at 31 December 2010 represents the present value, calculated by an independent actuary, of the possible future payment obligations of the Company to its employees. The basic assumptions used in the latest actuarial study at 31 December 2010 (2009), were as follows:

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

Provision for long-term remuneration of executives

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

(Expressed in thousands of euros)

15. TAX MATTERS

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

Thousands of euros	12/31/2010	12/31/2009
Current		
Current tax assets	177	23,043
Other accounts receivable from public authorities	813	155
Current tax liabilities	-903	0
Other accounts payable to public authorities	-6,061	-4,085
	-5,974	19,113
Non-current		
Deferred tax assets	15,629	22,067
Deferred tax liabilities	-49,186	-30,893
	-33,557	-8,826

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

The Company has the last four years open for review for all taxes applicable to it. The Company's directors do not consider it necessary to recognise provisions for any possible further contingencies that could arise from the various interpretations of the tax legislation since it is considered that if the tax authorities conduct a tax audit, the directors have sufficient grounds on which to justify the interpretation applied by the Company in its interpretation of tax legislation.

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

15.1. The consolidated tax group comprises:

Ebro Foods, S.A. (head of the tax group), Fincas e Inversiones Ebro, S.A., Dosbio 2010, S.L., Arotz Foods, S.A., Herba Foods, S.L., Herba Ricemills, S.L. (group), Herba Nutrition, S.L., Fallera Nutrición, S. L. and Jiloca, S.A. In 2009 it also included Puleva Food, S.L. and Lactimilk, S.A., which were sold in 2010.

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

(Expressed in thousands of euros)

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

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

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

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

Thousands of euros	Income statement **2010**	Income statement **2009**
Profit before tax from continuing operations	468,895	163,978
Applicable tax rate	30%	30%
Theoretical tax charge	**140,669**	**49,193**
Effect of:		
Non-deductible expenses	752	1,244
Dividends within the tax group	(3,589)	(8,018)
Tax credits and other	(40,275)	(58,622)
	104,735	**(167)**
Tax expense (detail):		
Current	98,560	851
Deferred	762	(894)
Adjustment	5,413	(124)
Effective tax expense (income)	**104,735**	**(167)**

(Expressed in thousands of euros)

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

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

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

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

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

The amount of reinvestments made by the Spanish tax group that entitled it to take tax credits for the reinvestment of income in 2010 was EUR 47.7 million (2009: EUR 1.5 million) (EUR 16.2 million, EUR 11.2 million and EUR 76.3 million, in the period from 2008 to 2006, respectively. These amounts were invested by the tax group in each of the aforementioned years). Also, the other requirements to be able to take these tax credits for tax purposes were met. In addition, at 31 December 2010, there were unused reinvestment tax credits amounting to EUR 49.1 million, which are conditional upon reinvestment by the Spanish tax group of EUR 818 million (within a time frame that ends mainly in August 2013).

(Expressed in thousands of euros)

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

Thousands of euros	12/31/2008	Additions	Reductions	Adjustments	12/31/2009	Additions	Reductions	Adjustments	12/31/2010
Deferred tax assets									
- Merger goodwill	6,621		-602		6,019		-602		5,417
- Intangible assets: Trademarks	3,308				3,308		-331		2,977
- Property, plant and equipment: Land	129				129				129
- Long-term provisions for remuneration	648	492			1,140	135	-1,140		135
- Provisions for long-service bonuses	52	55			107	16			123
- Provisions for contingencies	656				656		-656		0
- Impairment loss relating to companies in the tax group	2,131				2,131	4,717			6,848
- Tax asset due to 2007 tax base	0		-2,261	2,261	0				0
- Tax credit carryforwards	2,087	6,854		-364	8,577		-80	-8,497	0
	15,632	**7,401**	**-2,863**	**1,897**	**22,067**	**4,868**	**-2,809**	**-8,497**	**15,629**
Deferred tax liabilities									
- Amortisation of goodwill for tax purposes	-22,077	-5,619			-27,696	-5,620			-33,316
- Amortisation of trademarks for tax purposes	-274	-275			-549		549		0
- Deferral of tax credit for foreign investment	-4,500		2,250		-2,250		2,250		0
- Deferral of gains relating to the tax group	-398				-398				-398
- Fair value of financial assets	0				0	-15,472			-15,472
	-27,249	**-5,894**	**2,250**	**0**	**-30,893**	**-21,092**	**2,799**	**0**	**-49,186**

16. GUARANTEE COMMITMENTS

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

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

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

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

(Expressed in thousands of euros)

17. ACCOUNTS WITH GROUP COMPANIES AND ASSOCIATES

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

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

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

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

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

(Expressed in thousands of euros)

AT 31 DECEMBER 2009					
BALANCES WITH GROUP COMPANIES AND ASSOCIATES	Long-term loans	Receivable from companies	Balances payable		Payable to suppliers
			Non-current	Current	
Panzani SAS		833			(903)
Beira Terrace Soc. de Construçoes, Ltda.	8,717				
Azucarera Energías, S.A.	2,820				
Herba Foods, S.L.		187			(2)
Dosbio 2010, S.L.	2,748	46			
Herba Ricemills, S.L.		405			(7)
Herba Nutrición, S. L.		52			(5)
Fincas e inversiones Ebro, S.A.		1,447		(1,745)	
Arotz Foods, S.A.		262	(27,018)		
Puleva Biotech, S.A.		44			
Puleva Foods, S.L. (Group)		3,898	(20,640)	(266)	(10)
Lactimilk, S.L. (Group)		33			(1)
Grupo Riviana (Central America)		132	(18,501)		
New World Pasta Company, Inc (Group)		172			
Birkel Teigwaren, Gmbh (Group)	18,260	15			
Jiloca, S.A.		139			
Lince, Ltd.					
Boost Distribution CV		10			
	32,545	**7,675**	**(66,159)**	**(2,011)**	**(928)**

All of the balances are denominated in euros except for the amounts payable to New World Pasta, Inc and to the Riviana Group, which are denominated in US dollars.

The non-current payables have no fixed maturity and, therefore, the Company classified them as non-current since they are not expected to be repaid at short term. The amount payable to New World Pasta, Inc. has a nominal amount of USD 146 million, hedges the investments in assets in US dollars (see Note 9.2-c) and bears interest at 3-month LIBOR + 0.90 points.

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

18. RELATED PARTY TRANSACTIONS

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

During the years ended 31 December 2010 and 2009, the Company did not recognise any allowances for doubtful debts from related parties. The need for allowances is assessed each year on the basis of an examination of the financial position of the related party and of the market in which it operates.

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

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

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

None in 2010 and 2009.

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

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

Name or company name of the directors or executives	Ebro Foods Group company	Type of transaction	Amount (thousands of euros) 2010	Amount (thousands of euros) 2009
CAJA DE AHORROS DE SALAMANCA Y SORIA	EBRO FOODS, S.A.	FINANCING AGREEMENTS: LOANS BORROWER	Available: 51,203 Drawn down: 51,203	Available: 48,509 Drawn down: 48,509
CAJA ESPAÑA DE INVERSIONES, C.A.M.P.	EBRO FOODS, S.A.	FINANCING AGREEMENTS: LOANS BORROWER	Available: 28,390 Drawn down: 28,390	Available: 24,253 Drawn down: 24,253
CAJA ESPAÑA DE INVERSIONES, C.A.M.P.	EBRO FOODS, S.A.	FINANCING AGREEMENTS: LOANS BORROWER	Available: 6,000 Drawn down: 144	Available: 6,000 Drawn down: 144

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

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

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

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

Dividends 2010 (2009):

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

18.4 Directors' remuneration

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

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

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

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

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

(Expressed in thousands of euros)

DIRECTOR	STATUTORY OWNERSHIP INTEREST	ATTENDANCE FEES	REMUNERATION FOR EXECUTIVE DUTIES	TOTAL
A.HERNANDEZ	352	26	1,320	1,698
J.CARBO	0	0	1,603	1,603
F.HERNANDEZ	0	9	0	9
HISPARROZ	123	11	0	134
CAJA ESPAÑA	75	15	0	90
E.RUIZ GALVEZ	127	24	0	151
CAJA DUERO	154	21	0	175
J. NIETO	39	8	0	47
J. I. COMENGE	145	27	0	172
L. DEL PINO	242	26	0	268
F. CASTELLO	170	31	0	201
ALICESA	174	24	0	198
J. BARREIRO	289	27	0	316
B. HERNANDEZ	170	31	0	201
J. D. ORTEGA	73	12	0	85
DAMM	0	14	0	14
D. CARCELLER	271	15	0	286
A. OETKER	64	11	0	75
S. DAURELLA	97	15	0	112
TOTAL	**2,565**	**347**	**2,923**	**5,835**

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

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

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

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

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

- Antonio Hernández Callejas:

  - Direct ownership interest of 16.666% in Instituto Hispánico del Arroz, S.A. No position is held.
  - Indirect ownership interest of 3.620% in Casarone Agroindustrial, S.A. No position is held.
  - Direct ownership interest of 0.001%. in SOS Corporación Alimentaria, S.A. He holds the position of director.

- Blanca Hernández Rodríguez:

  - Direct ownership interest of 16.666% in Instituto Hispánico del Arroz, S.A. No position is held.
  - Indirect ownership interest of 3.020% in Casarone Agroindustrial, S.A. No position is held.

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

- Demetrio Carceller Arce:

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

- Dr. Rudolf-August Oetker:

  - He holds a direct ownership interest of 12.5% in Dr. August Oetker KG. He holds the position of Chairman of the Advisory Board.
  - He is a member of the Advisory Board of the following two companies belonging to the Dr. August Oetker KG Group: Dr. Oetker GmbH and Hamburg Südamerikanische Dampfschifffahrts-Gesellschaft KG.

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

(Expressed in thousands of euros)

Name of director	Ebro Foods Group company	Position
Antonio Hernández Callejas	Panzani, S.A.S.	Director
Antonio Hernández Callejas	New World Pasta Company	Director
Antonio Hernández Callejas	Riviana Foods, Inc.	Director
Antonio Hernández Callejas	Biosearch, S.A.	Director
Antonio Hernández Callejas	Ebro America, Inc.	Chairman
Antonio Hernández Callejas	N&C Boost, N.V.	Director
Antonio Hernández Callejas	Boost Nutrition, C.V:	Director
Antonio Hernández Callejas	Danrice, A/S	Director
Antonio Hernández Callejas	Joseph Heap&Sons Limited	Director
Antonio Hernández Callejas	S&Herba Foods Limited	Director
Antonio Hernández Callejas	Anglo Australian Rice Limited	Director
Antonio Hernández Callejas	Vogan & Co Limited	Director
Antonio Hernández Callejas	A W Mellish Limited	Director acting severally
Antonio Hernández Callejas	Joseph Heap Property Limited	Director acting severally
Antonio Hernández Callejas	Heap Comet Limited	Director acting severally
Antonio Hernández Callejas	Herba Germany GMBH	Director acting severally
Antonio Hernández Callejas	Arrozeiras Mudiarroz, S.A.	Chairman
Antonio Hernández Callejas	Bosto Panzani Benelux N.V.	Director

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

In 2010 and 2009 no transactions were performed by the directors of Ebro Foods, S.A. with Ebro Foods Group companies that did not form part of the ordinary course of business of these companies or under non-arm's length conditions.

18.6 Remuneration of executives

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

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

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

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

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

19. OTHER DISCLOSURES

a) Foreign currency transactions

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

b) Employees

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

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

c) Fees paid to auditors

In 2010 (2009), the fees for the financial audit services and other services provided by the Company's auditor, Deloitte, S.L., or by a firm related to the auditor resulting from control, common ownership or management were as follows (in thousands of euros):

- The fees for audit services in 2010 amounted to EUR 215 thousand (2009: EUR 191 thousand) and for other attest services amounted to EUR 91 thousand (2009: EUR 5 thousand).

- The fees for tax advisory and/or other services amounted to EUR 105 thousand (2009: EUR 0).

d) Information on the environment

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

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

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

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

20. EVENTS AFTER THE REPORTING PERIOD

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

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

21. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

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

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

EBRO FOODS, S.A.

Directors' report for the year ended 31 December 2010
(thousands of euros)

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

1. OPERATING REVIEW

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

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

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

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

2. 2010 ANALYSIS OF EBRO FOODS, S.A.

<u>Sale of the dairy product business</u>

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

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

Distribution of dividends

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

c) As a result of the Ebro Puleva Group's consolidated profit for 2009, it was resolved to distribute an ordinary dividend payable in cash out of unrestricted reserves of EUR 0.40 per share in four quarterly payments of EUR 0.10 each, on 5 April, 1 July, 1 October and 23 December 2010, for a total of EUR 61,546 thousand.

d) Also, and on an independent basis, following the success of the sale of the dairy product business an extraordinary dividend was approved payable in cash out of unrestricted reserves of EUR 0.60 per shares (in addition to the ordinary dividend) in four quarterly payments of EUR 0.15 each. The first two payments were made in 2010, coinciding with the dates of the last two payments of the ordinary dividend (1 October and 23 December 2010) and the two remaining payments will be made in 2011 on 4 April and 4 July, for a total of EUR 92,319 thousand.

Agreement with the SOS Group

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

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

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

<u>Agreement with the Sunrise Group</u>

On 25 November 2010, the Board of Directors of Ebro Foods, S.A. approved the purchase of the Australian Group, Ricegrowers Limited-SunRice (Sunrise), having completed the due diligence for this Group and finalised the wording of the definitive terms and conditions of the agreement (Scheme Implementation Agreement, SIA), which will be submitted for approval by Sunrice's shareholders in April. In accordance with the definitive terms and conditions of the transaction, Ebro Foods, S.A. will purchase all of the share capital of Sunrice for AUD 600 million (approximately EUR 440 million). As part of the agreements reached, Ebro will sign a Rice Acquisition Framework Agreement for the coming years, in which a number of general principles to be applied upon completion of the transaction are stipulated, whereby SunRice undertakes to purchase the rice harvests of the Australian farmers using certain price setting mechanisms, create a Farmers' Advisory Council and make a commitment towards the development of local communities and the promotion of R+D+i.

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

<u>Business performance</u>

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

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

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

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

3. OUTLOOK FOR THE COMPANY

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

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

4. RESEARCH AND DEVELOPMENT ACTIVITIES

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

5. TREASURY SHARE TRANSACTIONS

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

6. EMPLOYEES

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

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

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

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

8. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

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

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

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

Credit risk

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

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

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

Foreign currency risk

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

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

Liquidity risk

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

9. ENVIRONMENT

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

10. EVENTS AFTER THE REPORTING PERIOD

On 13 January 2011, the Board of Directors of Ebro Foods, S.A. approved the sale to Grupo Lactalis Iberia, S.A. of 17,252,157 shares representing 29.9% of the share capital of Biosearch, S.A. for a total price of EUR 8,281 thousand. Given that the shares are to be sold at their carrying amount (EUR 0.48 per share) this transaction will not give rise to any gains or losses in the 2011 financial statements of Ebro Foods, S.A. Following the sale, Ebro Foods, S.A. will hold 12,117,806 shares representing 21.002% of the share capital of Biosearch, S.A. but will no longer participate in its governing and managing bodies.

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

11. OTHER DISCLOSURES

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

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

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

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

b) Restrictions on the transferability of shares.

There are no restrictions on the transferability of the shares.

(thousands of euros)

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

Significant shareholder	Number of direct voting rights	Number of indirect voting rights	Percentage of total voting power
Instituto Hispánico del Arroz, S.A.	13,588,347	Indirect holder, through Hispafoods Invest, S.L., of 10,600,210 voting rights, representing 6.889% of share capital.	15.721
Sociedad Anónima Damm	0	Indirect holder, through Corporación Económica Damm, S.A., of 14,350,000 voting rights, representing 9.326% of share capital.	9.326
Sociedad Estatal de Participaciones Industriales	0	Indirect holder, through Alimentos y Aceites, S.A., of 13,315,016 voting rights, representing 8.654% of share capital.	8.654
Lolland, S.A.	0	Indirect holder, through Casa Grande Cartagena, S.L., of 7,693,290 voting rights, representing 5.000% of share capital.	5.000
Corporación Financiera Alba, S.A.	0	Indirect holder, through Alba Participaciones, S.A., of 8,777,719 voting rights, representing 5.70% of share capital.	5.70

d) Restrictions on voting power.

There are no restrictions on voting power.

e) Side agreements.

The Company has not been notified of any side agreements.

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

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

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

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

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

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

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

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

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

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

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

- When they are subject to any incompatibility or prohibition provided for by law, in the Company's bylaws or in the Board's Regulations.

- When they cease to discharge the executive functions associated with their appointment as directors, when the shareholder they represent sells its entire ownership interest or when that shareholder reduces its ownership interest to a level that requires a reduction of the number of its proprietary directors and, in general, when the reasons for which they were appointed cease to exist.

- When the Board, following a report from the Nomination and Remuneration Committee, considers that they have seriously breached their obligations or that there are reasons in Company's interest that justify such resignation.

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

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

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

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

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

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

1) To represent the Company and use the corporate signature in all manner of acts, businesses and agreements included in the company object. To enter into contracts for project work or for the supply of goods or services with the European Union, the State, the Autonomous Communities, provinces, islands or municipalities and, in general, with any public or private person, by means of merits-based or price-based tenders, direct award or any other legal method of contracting, presenting and signing the appropriate proposals, accepting awards, as the case may be, performing any such acts and executing any such public or private documents as may be required or deemed appropriate for their formalisation, performance and liquidation.

   He may exercise these powers severally when the amount of the act, business or contract does not exceed or is equal to EUR 50,000, and jointly with another class A) attorney-in-fact when the amount exceeds EUR 50,000.

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

   These powers may be exercised severally.

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

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

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

   These powers may be exercised severally.

5) 5.1) To open, use, clear and cancel demand deposits, savings accounts or credit facilities at any bank, including the Bank of Spain or any other credit institutions or savings banks, signing for this purpose any such documents as may be required, and to use and withdraw amounts by cheque, money order, receipt or transfer.

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

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

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

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

7) To claim, collect and receive amounts to be paid or received by the Company in any respect, whether in cash, in bills or in the shape of any other type of benefit, from individuals, banks and other entities, from the European Union, the State, the Autonomous Communities, provinces, islands or municipalities and, in general, from any public or private entity. To give and request receipts and payment documents and to set and finally settle balances. To determine the method for payment of amounts owed to the Company, to grant extensions and to set payment dates and amounts.
   To accept from debtors all manner of secured and unsecured guarantees, including mortgages, fixed and floating charges, pledges and security interests subject to the covenants, clauses and conditions deemed appropriate and to cancel such guarantees after receipt of the guaranteed amounts or receivables.

   These powers may be exercised severally.

8) To make all manner of payments, taking any such steps as may be required for due compliance with all the Company's obligations and to demand the relevant receipts and payment documents.

   These powers may be exercised severally when the amount of each act does not exceed or is equal to EUR 50,000, and jointly with another class A) attorney-in-fact when the amount exceeds EUR 50,000.

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

   These powers may be exercised severally.

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

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

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

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

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

These powers may be exercised severally.

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

    These powers may be exercised severally.

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

    These powers may be exercised severally.

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

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

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

    These powers may be exercised severally.

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

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

No agreements of this nature have been entered into.

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

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

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