

**EBRO 2012**

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**FINANCIAL  
INFORMATION**

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**CORPORATE SOCIAL  
RESPONSABILITY**

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**CORPORATE  
GOVERNANCE**

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**CONSOLIDATED ANNUAL ACCOUNTS**

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*Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group (see Notes 2 and 32). In the event of a discrepancy, the Spanish-language version prevails.*

## AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

We have audited the consolidated financial statements of Ebro Foods, S.A. (the Parent) and Subsidiaries (the Group), which comprise the consolidated balance sheet at 31 December 2012 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended. As indicated in Note 2 to the accompanying consolidated financial statements, the Parent's directors are responsible for the preparation of the Group's consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of whether their presentation, the accounting policies applied and the estimates made comply with the applicable regulatory financial reporting framework.

In our opinion, the accompanying consolidated financial statements for 2012 present fairly, in all material respects, the consolidated equity and consolidated financial position of Ebro Foods, S.A. and Subsidiaries at 31 December 2012, and the consolidated results of their operations and their consolidated cash flows for the year then ended, in conformity with International Financial Reporting Standards as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group.

The accompanying consolidated directors' report for 2012 contains the explanations which the Parent's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2012. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Ebro Foods, S.A. and Subsidiaries.

DELOITTE, S.L.

Registered in ROAC under no. S0692



Victoria López Téllez

2 April 2013

## EBRO FOODS CONSOLIDATED GROUP

### CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2012 AND 2011

ASSETS (THOUSANDS OF EUROS)	NOTES	12-31-2012	12-31-2011
<b>Non-current assets</b>			
Intangible assets	9	373,993	380,124
Property, plant and equipment	10	496,045	507,760
Investment property	11	32,637	31,922
Financial assets	12	59,543	51,927
Investments in associates	13	3,209	2,740
Deferred tax assets	25	53,024	55,582
Goodwill	14	823,207	828,873
		<b>1,841,658</b>	<b>1,858,928</b>
<b>Current assets</b>			
Inventories	15	347,307	362,560
Trade and other receivables	16	325,348	340,428
Current income tax	25	7,958	10,644
Tax receivables	25	23,895	30,496
Financial assets	12	5,798	4,207
Derivatives and other financial instruments	28	134	1,570
Other current assets		5,974	3,905
Cash and cash equivalents	17	173,740	97,870
		<b>890,154</b>	<b>851,680</b>
Non-current assets classified as held for sale		0	0
<b>Total assets</b>		<b>2,731,812</b>	<b>2,710,608</b>

	NOTES	12-31-2012	12-31-2011
<b>Equity</b>		<b>1,693,237</b>	<b>1,588,460</b>
<b>Equity attributable to shareholders of the Parent</b>			
Share capital		92,319	92,319
Share premium		4	4
Restricted reserves		21,633	21,633
Unrestricted reserves (accumulated profit)		1,588,508	1,542,892
Interim dividends paid		0	(23,080)
Translation differences		(10,255)	(167)
ATreasury shares		0	(46,303)
	18	<b>1,692,209</b>	<b>1,587,298</b>
<b>Non-controlling interests</b>		<b>1,028</b>	<b>1,162</b>
<b>Non-current liabilities</b>			
Deferred income	19	2,723	4,716
Provisions for pensions and similar obligations	20	44,760	40,948
Other provisions	21	21,926	49,067
Financial liabilities	22	182,860	279,980
Other non-financial payables	23	26	38
Deferred tax liabilities	25	229,999	201,918
		<b>482,294</b>	<b>576,667</b>
<b>Current liabilities</b>			
Financial liabilities	22	235,567	209,171
Derivatives and other financial instruments	28	318	444
Trade and other payables	24	291,367	304,847
Current income tax	25	8,643	7,306
Tax payables	25	14,408	14,470
Other current liabilities		5,978	9,243
		<b>556,281</b>	<b>545,481</b>
Non-current liabilities held for sale		0	0
<b>Total equity and liabilities</b>		<b>2,731,812</b>	<b>2,710,608</b>

The accompanying Notes 1 to 32 are an integral part of the consolidated balance sheet at 31 December 2012.

**EBRO FOODS CONSOLIDATED GROUP**  
**CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED**  
**31 DECEMBER 2012 AND 2011**

(THOUSANDS OF EUROS)	NOTES	12-31-2012	12-31-2011
Income (revenue)	6	2,041,266	1,804,111
Change in inventories of finished goods and work in progress		(6,226)	23,375
Capitalised in-house work on non-current assets		647	1,100
Other operating income	8	73,593	35,011
Cost of material used and other external expenses	6	(1,121,487)	(985,611)
Staff costs	8	(248,193)	(234,971)
Depreciation and amortisation charge	9, 10 & 11	(57,281)	(49,084)
Other operating expenses	8	(403,110)	(374,857)
<b>Profit from operations</b>		<b>279,209</b>	<b>219,074</b>
Finance income	8	12,910	26,382
Finance costs	8	(45,723)	(24,342)
Impairment of goodwill	14	(178)	(176)
Share of results of associates	13	1,683	1,455
<b>Consolidated profit before tax</b>		<b>247,901</b>	<b>222,393</b>
Income tax	25	(89,450)	(70,750)
<b>Consolidated profit (continuing operations)</b>		<b>158,451</b>	<b>151,643</b>
Net profit/loss from discontinued operations	7	0	0
<b>Consolidated profit for the year</b>		<b>158,451</b>	<b>151,643</b>
Attributable to:			
<b>Shareholders of the Parent</b>		<b>158,592</b>	<b>151,542</b>
Non-controlling interests		(141)	101
		<b>158,451</b>	<b>151,643</b>

	NOTES	2012	2011
<b>Earnings per share (euros):</b>	18		
<b>From continuing operations</b>			
Basic		1.046	0.944
Diluted		1.046	0.944
<b>Of total profit</b>			
Basic		1.046	0.944
Diluted		1.046	0.944

The accompanying Notes 1 to 32 are an integral part of the consolidated income statement for the year ended 31 December 2012.

## EBRO FOODS CONSOLIDATED GROUP

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

(THOUSANDS OF EUROS)	NOTES	2012	2011
Gains (losses) on measurement of available-for-sale financial assets	12	(14,959)	(61,352)
Gains (losses) on measurement of available-for-sale financial assets taken to profit or loss	12	25,816	0
Translation differences		(10,087)	22,872
Translation differences taken to profit or loss		0	0
Actuarial gains and losses	20	(5,467)	(8,924)
Tax effect of items recognised in, or transferred from, equity	25	(1,341)	21,502
<b>Net loss recognised in equity</b>		<b>(6,038)</b>	<b>(25,902)</b>
<b>Net profit for the year</b>		<b>158,451</b>	<b>151,643</b>
<b>Total income and expense recognised in the year</b>	18	<b>152,413</b>	<b>125,741</b>
Attributable to:			
<b>Shareholders of the Parent</b>	18	152,553	125,639
<b>Non-controlling interests</b>	18	(140)	102
		<b>152,413</b>	<b>125,741</b>

The accompanying Notes 1 to 32 are an integral part of the consolidated statement of comprehensive income for the year ended 31 December 2012.

# EBRO FOODS CONSOLIDATED GROUP

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2012 AND 2011

### EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT

	Equity	Non-controlling interests	Total	Share capital	Share premium	Restricted reserves		Unrestricted reserves		Interim dividend paid	Translation differences	Treasury Share
						Revaluation reserve	Legal reserve	Accumulated profits	PyG			
<b>Balance at 31 December 2010</b>	<b>1,607,446</b>	<b>14,703</b>	<b>1,592,743</b>	<b>92,319</b>	<b>4</b>	<b>3,169</b>	<b>18,464</b>	<b>1,113,028</b>	<b>388,797</b>	<b>0</b>	<b>(23,038)</b>	<b>0</b>
Distribution of 2010 profit	0	0	0	0	0	0	0	388,797	(388,797)	0	0	0
Dividends paid	(62,455)	0	(62,455)	0	0	0	0	(62,455)	0	0	0	0
Dividends paid out of 2010 profit	(23,080)	0	(23,080)	0	0	0	0	0	0	(23,080)	0	0
Capital increase/reduction expenses	(13)	0	(13)	0	0	0	0	(13)	0	0	0	0
Purchase/sale of treasury shares (net)	(46,303)	0	(46,303)	0	0	0	0	0	0	0	0	(46,303)
Gains and losses on sales of treasury shares	767	0	767	0	0	0	0	767	0	0	0	0
Changes in the scope of consolidation	(13,643)	(13,643)	0	0	0	0	0	0	0	0	0	0
<b>Total distribution of profit and transactions with shareholders</b>	<b>(144,727)</b>	<b>(13,643)</b>	<b>(131,084)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>327,096</b>	<b>(388,797)</b>	<b>(23,080)</b>	<b>0</b>	<b>(46,303)</b>
Net profit for 2011	151,643	101	151,542	0	0	0	0	0	151,542	0	0	0
Change in translation differences	22,872	1	22,871	0	0	0	0	0	0	0	22,871	0
Fair value of financial instruments:			0									
1. Unrealised gains	(61,352)	0	(61,352)	0	0	0	0	(61,352)	0	0	0	0
Change due to actuarial gains and losses	(8,924)	0	(8,924)	0	0	0	0	(8,924)	0	0	0	0
Tax effect of gains and losses recognised in equity	21,502	0	21,502	0	0	0	0	21,502	0	0	0	0
<b>Total profit for the year</b>	<b>125,741</b>	<b>102</b>	<b>125,639</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(48,774)</b>	<b>151,542</b>	<b>0</b>	<b>22,871</b>	<b>0</b>
<b>Balance at 31 December 2011</b>	<b>1,588,460</b>	<b>1,162</b>	<b>1,587,298</b>	<b>92,319</b>	<b>4</b>	<b>3,169</b>	<b>18,464</b>	<b>1,391,350</b>	<b>151,542</b>	<b>(23,080)</b>	<b>(167)</b>	<b>(46,303)</b>
Distribution of 2011 profit	0	0	0	0	0	0	0	151,542	(151,542)	0	0	0
Dividends paid	(74,840)	(20)	(74,820)	0	0	0	0	(118,816)	0	23,080	0	20,916
Purchase/sale of treasury shares (net)	25,387	0	25,387	0	0	0	0	0	0	0	0	25,387
Gains and losses on sales of treasury shares	1,817	0	1,817	0	0	0	0	1,817	0	0	0	0
Changes in the scope of consolidation	0	26	(26)	0	0	0	0	(26)	0	0	0	0
<b>Total distribution of profit and transactions with shareholders</b>	<b>(47,636)</b>	<b>6</b>	<b>(47,642)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>34,517</b>	<b>(151,542)</b>	<b>23,080</b>	<b>0</b>	<b>46,303</b>
Net profit for 2012	158,451	(141)	158,592	0	0	0	0	0	158,592	0	0	0
Change in translation differences	(10,087)	1	(10,088)	0	0	0	0	0	0	0	(10,088)	0
Fair value of financial instruments:			0					0	0	0	0	0
1. Unrealised gains	10,857	0	10,857	0	0	0	0	10,857	0	0	0	0
Change due to actuarial gains and losses	(5,467)	0	(5,467)	0	0	0	0	(5,467)	0	0	0	0
Tax effect of gains and losses recognised in equity	(1,341)	0	(1,341)	0	0	0	0	(1,341)	0	0	0	0
<b>Total profit for the year</b>	<b>152,413</b>	<b>(140)</b>	<b>152,553</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,049</b>	<b>158,592</b>	<b>0</b>	<b>(10,088)</b>	<b>0</b>
<b>Balance at 31 December 2012</b>	<b>1,693,237</b>	<b>1,028</b>	<b>1,692,209</b>	<b>92,319</b>	<b>4</b>	<b>3,169</b>	<b>18,464</b>	<b>1,429,916</b>	<b>158,592</b>	<b>0</b>	<b>(10,255)</b>	<b>0</b>

The accompanying Notes 1 to 32 are an integral part of the consolidated statement of changes in equity for the year ended 31 December 2012.

## EBRO FOODS CONSOLIDATED GROUP

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

(THOUSANDS OF EUROS)	2012	2011
Proceeds from sales and services	2,199,051	1,788,712
Payments to suppliers and employees	(1,925,517)	(1,696,766)
Interest paid	(8,570)	(7,061)
Interest charged	2,674	11,127
Dividends received	1,174	1,891
Other amounts received/paid in operating activities	10,644	12,304
Income tax paid	(58,722)	(51,711)
<b>Total net cash flows from operating activities</b>	<b>220,734</b>	<b>58,496</b>
Investments in non-current assets	(52,930)	(66,596)
Disposals of non-current assets	16,374	7,539
Investments in financial assets	(615)	(205,535)
Disposals of financial assets	2,099	2,528
Other proceeds/payments relating to investing activities	(1,957)	8,402
<b>Total net cash flows from investing activities</b>	<b>(37,029)</b>	<b>(253,662)</b>
Treasury share transactions	27,205	(45,537)
Dividends paid to shareholders	(71,501)	(131,695)
Bank borrowing drawdowns	100,558	62,314
Repayment of bank borrowings	(162,852)	(144,849)
Other financial proceeds/payments and grants related to assets	540	(5,281)
<b>Total net cash flows from financing activities</b>	<b>(106,050)</b>	<b>(265,048)</b>
Translation differences on cash flows of foreign companies	(1,237)	(3,607)
<b>INCREASE (DECREASE) in cash and cash equivalents</b>	<b>76,418</b>	<b>(463,821)</b>
Cash and cash equivalents at beginning of year	97,870	555,707
Effect of year-end exchange rate on beginning balance	(548)	5,984
<b>Cash and cash equivalents at end of year</b>	<b>173,740</b>	<b>97,870</b>

The accompanying Notes 1 to 32 are an integral part of the consolidated statement of cash flows for the year ended 31 December 2012.

# EBRO FOODS GROUP

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

### 1. GROUP ACTIVITIES AND GENERAL INFORMATION

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

The Company’s current registered office is in Madrid (28046), at Paseo de la Castellana, 20.

The Group’s object is to perform the following business activities in Spanish and foreign markets:

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

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



The Group currently operates in the Spanish and international markets. A breakdown of the Group's sales is disclosed in Note 6 on operating segment reporting.

The consolidated financial statements for 2011 were approved by the shareholders at the Annual General Meeting of Ebro Foods, S.A. on 29 May 2012, and were filed at the Madrid Mercantile Registry.

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

**Amounts relating only to the separate financial statements of the Parent**

<b>DISTRIBUTABLE PROFIT (THOUSANDS OF EUROS)</b>	<b>Amount</b>
Unrestricted reserves	908,839
Income statement (profit)	3,533
	<b>912,372</b>

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

**RESTRICTIONS ON THE DISTRIBUTION OF DIVIDENDS**

Ebro Foods, S.A. must transfer 10% of net profit for each year to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. This reserve may not be distributed to shareholders until it has reached 20% of share capital.

Once the appropriations provided for by law or by the bylaws have been covered, dividends may only be distributed out of the profit for the year or unrestricted reserves if the value of the equity is not already, or as a result of the distribution, lower than that of the share capital. In this connection, profit taken directly to equity cannot be distributed, directly or indirectly. If prior years' losses reduce the Company's equity to below its share capital, profit will be used to offset these losses.

## 2. BASIS OF PRESENTATION AND COMPARABILITY OF THE INFORMATION INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements are presented in thousands of euros (unless expressly stated otherwise) because the euro is the principal currency in which the Ebro Foods Group operates. Transactions performed in other currencies are translated to euros using the accounting policies indicated in Note 3.

### A) BASIS OF PRESENTATION

#### 1. General accounting principles

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, in conformity with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council.

The consolidated financial statements for the year ended 31 December 2012, which were authorised for issue by the Parent's directors on 21 March 2013, have not yet been approved by the shareholders at the Annual General Meeting, although it is considered that they will be approved without any changes (similarly, at the reporting date the 2012 financial statements of Ebro Foods, S.A. and of its subsidiaries and associates had not yet been approved by the shareholders at the related Annual General Meetings).

These consolidated financial statements were prepared using the general historical cost measurement basis, unless revaluations had to be made in accordance with IFRSs.

#### 2. Use of estimates and assumptions

The information in these consolidated financial statements is the responsibility of the directors of the Parent.

In preparing the accompanying consolidated financial statements, estimates were occasionally made by management of the Group companies in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- ❖ The measurement of assets and goodwill to ascertain whether there are any impairment losses thereon.
- ❖ The assumptions used in the actuarial calculation of the retirement benefit and similar liabilities and obligations.
- ❖ The useful life of property, plant and equipment and intangible assets.
- ❖ The assumptions used in measuring the fair value of the financial instruments.
- ❖ The probability of the occurrence and the amount of liabilities of undetermined amount or contingent liabilities.
- ❖ The recoverability of the deferred tax assets.

Although these estimates were made on the basis of the best information available at the date of preparation of these consolidated financial statements on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively, recognising the effects of the change in estimates in the related future consolidated financial statements.

## **B) COMPARATIVE INFORMATION**

For comparison purposes the Group presents, in addition to the figures for the year ended 31 December 2012 for each item in the consolidated balance sheet, consolidated income statement, consolidated statement of cash flows, consolidated statement of changes in equity, consolidated statement of comprehensive income and notes to the consolidated financial statements, the figures for the year ended 31 December 2011.

It was necessary to make significant changes to the figures for 2011.

- ❖ In relation to the effects of the definitive accounting for the business combination of Strom Products, Ltd. -No Yolks- (acquired in December 2011) with respect to the provisional accounting therefor at 2011 year-end (see Note 5.3). The sole effect was a reclassification comprising a reduction under "Intangible Assets" of EUR 12,601 thousand, and an increase under "Goodwill" and "Inventories" of EUR 10,668 thousand and EUR 1,933 thousand, respectively.

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

## **C) CHANGES IN THE SCOPE OF CONSOLIDATION**

The main changes in the scope of consolidation in 2012 and 2011 and the consolidation or accounting method used in each case are shown in Notes 4 and 5.

## **3. ACCOUNTING POLICIES**

The most significant accounting policies used in preparing the consolidated financial statements were as follows:

### **A) BASIS OF CONSOLIDATION**

#### **Subsidiaries**

The consolidated financial statements include the balances of all the fully consolidated companies over which the Group has control. Control is the power to govern a company's financial and operating policies in order to obtain benefits from its activities.

On the acquisition of a company, its assets, liabilities and contingent liabilities are recognised at fair value on the date of acquisition. Any excess of the cost of acquisition over the fair value of the net assets acquired is recognised as goodwill; any deficiency is credited to the consolidated income statement. The results of companies acquired during the year are included in the consolidated income statement from the effective date of acquisition.

Non-controlling interests are stated at the date of acquisition on the basis of their proportion of the fair value of the assets and liabilities of the related subsidiary.

Where necessary, adjustments are made to the financial statements of certain subsidiaries in order to adapt the accounting policies used to those applied for the Group as a whole.

All material intra-Group balances and transactions were eliminated on consolidation.

### **Associates**

Associates (companies over which the Group exercises significant influence but not control) and joint ventures were accounted for using the equity method. Therefore, investments in associates are recognised in the consolidated balance sheet at cost adjusted by changes subsequent to the date of acquisition in the equity of the associate, in proportion to the percentage of ownership, less any impairment losses that might need to be recognised. The results of these associates are included, net of the related tax effect, in the consolidated income statement.

### **B) TRANSLATION METHODS**

The separate financial statements of the Group companies are expressed in the local currency of each company. For consolidation purposes, assets and liabilities are translated to euros at the exchange rates prevailing at the consolidated balance sheet date, the consolidated income statement items at the average exchange rates for the year and share capital, share premium and reserves at the historical exchange rates. The differences arising from the application of these translation methods derived from investments in subsidiaries and associates are recognised under "Equity - Translation Differences".

In the case of non-controlling interests, these translation differences are recognised under "Equity - Non-Controlling Interests".

The goodwill and/or valuation adjustments made to the net assets arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and, therefore, are also translated at the exchange rates prevailing at the consolidated balance sheet date.

When an investment in a subsidiary is disposed of, the accumulated translation differences relating to that company up to the date of disposal are recognised in profit or loss.

### **C) FOREIGN CURRENCY TRANSACTIONS**

Foreign currency transactions are translated to euros by applying the exchange rates prevailing at the date of the transaction. Losses and gains resulting from the settlement of foreign currency transactions and from the measurement of monetary assets and liabilities denominated in foreign currencies at the consolidated balance sheet date are recognised in the consolidated income statement.

### **D) CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are mainly certificates of deposits, short-term deposits, short-term marketable securities, short-term government bonds and other money market assets maturing at three months or less, and bank deposits maturing at more than three months, in which the related funds are available immediately without any kind of penalty. These assets are measured at acquisition cost, which approximates their realisable value.

## E) PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Property, plant and equipment and investment property are measured at the lower of:

- ❖ Acquisition (or production) cost less any accumulated depreciation and any recognised impairment losses; and
- ❖ Recoverable amount, i.e. the amount that will be recovered through the cash-generating units to which the assets belong or through their sale, capital appreciation or a combination of the two.

Also, certain items of property, plant and equipment and investment property have been revalued at their fair value determined on the basis of appraisals conducted by independent valuers, as a result of the acquisition of subsidiaries or associates, in accordance with the measurement bases described in Note 3-a above.

Items are only transferred from “Property, Plant and Equipment” to “Investment Property” when there is a change in use. When transferring an item of investment property to owner-occupied property, the property’s deemed cost for subsequent accounting is the carrying amount at the date of change in use. If an owner-occupied property becomes an investment property, the Group accounts for this property in accordance with the policy established for property, plant and equipment up to the date of the change in use.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property are recognised in profit or loss in the period of the retirement or disposal.

When factors indicating the possible obsolescence of these assets are detected, the corresponding impairment losses are recognised.

Borrowing costs on the financing obtained for the construction of non-current assets have been capitalised since 1 January 2009 (until then they were recognised in the consolidated income statement) until the date of entry into service of these assets. The costs of expansion, modernisation or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are capitalised. Upkeep and maintenance costs are recognised with a charge to the consolidated income statement for the year in which they are incurred.

The depreciation of property, plant and equipment is calculated using the straight-line method on the basis of the useful life of the assets, based on the actual decline in value caused by their use and by wear and tear, as shown below. The residual value and the useful life of these assets and the depreciation method used are reviewed once a year.

### DEPRECIATION RATE

Buildings and other structures	1.0 to 3.0%
Plant and machinery	2.0 to 20%
Other fixtures, tools and furniture	8 to 25%
Other items of property, plant and equipment	5.5 to 25%

When substantially all the risks and rewards of ownership of assets held under finance leases have been transferred to the Group, these assets are recognised as assets and the present value of the total lease payments outstanding is recognised as a liability. Each lease payment includes principal and interest. Interest is calculated on the basis of the application of a fixed interest rate to the outstanding principal. Leased assets are depreciated on a straight-line basis over the years of useful life of the assets at the rates shown above. Lease payments under operating leases are recognised as an expense on an accrual basis over the lease term.

#### **F) INTANGIBLE ASSETS (EXCLUDING GOODWILL AND CO2 EMISSION ALLOWANCES)**

Intangible assets are initially recognised at acquisition or production cost and are reviewed periodically and adjusted in the event of any impairment, as described in Note 3-h). Also, the residual value, useful life and amortisation method for intangible assets with finite useful lives are reviewed once a year. The intangible assets are as follows:

- ❖ **Development expenditure:** the expenditure incurred in specific projects to develop new products that can be sold or used internally and whose future recoverability is reasonably assured is capitalised and amortised on a straight-line basis over the period in which future economic benefits are expected to flow from the project once it has been completed.

The future recoverability of the expenditure is deemed to be reasonably assured when the related project is technically feasible, the Group has the ability and intention to complete the intangible asset and use or sell it and the intangible asset will generate probable future economic benefits.

- ❖ **Trademarks, patents and licences:** capitalised development expenditure is classified under this heading when the related patent or similar item is obtained. This heading also includes, recognised at acquisition cost, new trademarks acquired from third parties and, at fair value, trademarks acquired in a business combination. Based on an analysis of all of the relevant factors, the Group has established that there is no foreseeable limit to the period over which the most significant trademarks are expected to generate net cash inflows for the entity and, therefore, these trademarks are regarded as having an indefinite useful life. However, the useful life of the trademarks is reviewed each reporting period to determine whether it should be indefinite or finite.

Any amortisation taken is calculated on the basis of the estimated useful lives of the assets, which range from 10 to 20 years.

- ❖ **Computer software:** "Computer Software" includes the amounts paid for title to or the right to use computer programs and the costs incurred in developing the software in-house, only when the software is expected to be used over several years. Computer software is amortised on a straight-line basis over the years of its useful life, which is generally taken to be around three years.

Computer software maintenance costs are charged directly to the consolidated income statement for the year in which they are incurred.

## **G) GOODWILL**

Goodwill represents the excess price paid in acquiring the fully consolidated subsidiaries over the fair value of the net assets of those companies at the date of acquisition. The excess acquisition cost relating to investments in associates is recognised under “Investments in Associates” in the consolidated balance sheet and any impairment losses are recognised under “Share of Results of Associates” in the consolidated income statement.

When payment for new investments is deferred, the acquisition cost includes the present value of the amount of the deferred payment. When the definitive amount of the deferred price may be affected by future events, the amount of the deferred price is estimated at the date of acquisition and is recognised as a liability. Subsequent changes in the deferred price will give rise to an adjustment to the goodwill in the year in which the change in estimate is made, and the related liability is also adjusted.

Goodwill is not amortised but rather is tested for impairment at least once a year. Any impairment disclosed by these tests is recognised immediately in the consolidated income statement. An impairment loss recognised for goodwill must not be reversed in a subsequent period.

Also, a gain from a bargain purchase is recognised in profit or loss once the fair value of the net assets acquired has been established.

When a subsidiary or associate is sold, any goodwill attributed to that company is included in the calculation of the gain or loss on disposal.

## **H) IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS**

The Group regularly reviews each year the carrying amounts of its non-current assets to determine whether those assets might have suffered an impairment loss.

If this review discloses that the recoverable amount of an asset is lower than its carrying amount, an impairment loss is recognised in the consolidated income statement to write down the carrying amount of the asset to its recoverable amount. Recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using appropriate discount rates.

Where the asset that might have become impaired does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of intangible assets with indefinite useful lives is reviewed annually (annual impairment test) or whenever there is an indication that they might have become impaired. A reversal of an impairment loss on an asset is recognised in the consolidated income statement for the year.

## **I) NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS**

Non-current assets classified as held for sale and discontinued operations are measured at the lower of cost and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for sale in less than one year in its present condition.

## **J) FINANCIAL ASSETS (INVESTMENTS)**

Financial assets are recognised (or derecognised) at the effective date of the transaction. They are recognised initially at fair value, which generally coincides with acquisition cost, including any transaction costs.

### **Investments**

Investments are classified as:

- ❖ Held-to-maturity investments: financial assets with fixed or determinable payments and fixed maturity. The Group has the positive intention and ability to hold them from the date of purchase to the date of maturity. This category includes mainly short-term deposits, which are measured at amortised cost.
- ❖ Held-for-trading financial assets: assets acquired by the companies with the intention of generating a profit from short-term fluctuations in their prices or from differences between their purchase and sale prices. They are measured at fair value at the date of subsequent measurement where this can be determined reliably. In these cases, the gains and losses arising from changes in fair value are recognised in the consolidated income statement for the year.
- ❖ Available-for-sale financial assets: these include debt securities and equity instruments of other companies that are not classified in any of the previous categories. The measurement bases are:
  - At fair value when it is possible to determine it reliably, based on either the market price or, in the absence thereof, using the price established in recent transactions or the discounted present value of the future cash flows.  
The gains and losses from changes in fair value are recognised directly in equity until the asset is disposed of, at which time the cumulative gains or losses previously recognised in equity are recognised in the consolidated income statement for the year. If fair value is lower than acquisition cost and there is objective evidence that the asset has suffered an impairment loss that cannot be considered reversible, the difference is recognised directly in the consolidated income statement.
  - At acquisition cost, adjusted for any impairment losses disclosed, in the case of investments in unlisted companies, since it is not always possible to determine the fair value reliably.

At 31 December 2012, available-for-sale financial assets were measured against listed (and unadjusted) market prices and placed on level one of the fair value measurement hierarchy established in IFRS 7.

In 2012 and 2011 no financial assets among the categories defined in the preceding paragraphs were reclassified.



### **Other receivables**

Short- and long-term non-trade receivables are recognised at the amount delivered (amortised cost). Interest received is considered to be interest income for the year in which it accrues, on a time proportion basis.

Short-term non-trade receivables are generally not discounted.

### **K) TRADE AND OTHER RECEIVABLES**

Trade and other receivables are recognised at their nominal value, which coincides with their amortised cost. The valuation adjustments required to cover the risk of doubtful debts are recognised.

Amounts relating to discounted notes and bills are classified until maturity as trade and other receivables and, simultaneously, as bank borrowings (current financial liabilities).

### **L) INVENTORIES**

Inventories are measured at weighted average acquisition or production cost.

Acquisition cost relates to the amount stated in the invoice plus all the additional expenses incurred until the goods are in the warehouse.

Production cost is determined by adding production costs directly attributable to the product and the portion of costs indirectly attributable thereto to the acquisition cost of raw materials and other consumables to the extent that such costs are incurred in the production period.

When the selling price less the estimated costs necessary to make the sale and to complete the production of the inventories is lower than the costs indicated in the preceding paragraph, the carrying amount of the inventories is written down.

### **M) DEFERRED INCOME - GRANTS**

Grants received are accounted for as follows:

- a. Non-refundable grants related to assets: these grants are measured at the amount awarded and are recognised in profit or loss on a straight-line basis over ten years, which approximates the average period over which the assets financed by these grants are depreciated. They are presented on the liability side of the consolidated balance sheet.
- b. Grants related to income: these grants are credited to income when earned.

### **N) RETIREMENT BENEFITS AND SIMILAR OBLIGATIONS**

The Group manages various defined benefit and defined contribution post-employment benefit plans. The costs of the defined benefit plans are measured using the Projected Unit Credit Method.

The obligations under the defined benefit plans are calculated by an independent actuary once a year in the case of the most significant plans and on a regular basis in the case of the other plans. The actuarial assumptions used for the calculation of the obligations differ on the basis of the economic circumstances of each country.

The plans may be funded through an external pension fund or through in-house provisions.

For externally funded defined benefit plans, any deficit in the fair value of the plan assets with respect to the present value of the obligation as a result of actuarial gains or losses is recognised directly in equity net of the related tax effect, and any changes in past service costs are recognised in profit or loss. A surplus in the plan is only recognised in the consolidated balance sheet to the extent that it represents a future economic benefit, in the form of refunds from the plan or a reduction in future contributions. Actuarial gains and losses arise mainly as a result of changes in actuarial assumptions or differences between the estimated variables and what has actually occurred.

In the case of the defined benefit plans, the actuarial cost charged to the consolidated income statement for the year is the sum of the current service cost, the interest cost, the expected return on any plan assets and the past service cost, while any material actuarial gains and losses are recognised directly in equity. Contributions to defined contribution plans are charged to consolidated profit or loss when they are made.

Pursuant to the current collective agreement and other non-statutory agreements, Ebro Foods, S.A. (mainly) is obliged to pay bonuses for long service and the retirement of certain of its permanent employees who retire at the legally stipulated age or who take early retirement.

In accordance with the current collective agreements and other non-statutory agreements, the Riviana and NWP Groups and certain European Group companies (mainly) are obliged to make annual supplementary payments of various kinds and other bonuses for long service and retirement, where applicable, of certain of their permanent employees who retire at the legally stipulated age or who take early retirement.

The provision recognised represents the present value, calculated by an independent actuary, of the possible future payment obligations of the companies concerned to their former and current employees in connection with the aforementioned retirement bonus obligations, net of the present value of the financial assets in which the related funds are invested. These plans are managed independently by a Management Committee made up of employees, executives and third parties.

In addition, certain Group companies grant their employees certain voluntary retirement bonuses of undetermined amount. These bonuses, which are scanty material, are recognised as an expense when they are paid. The other Group companies do not have any similar obligations or have obligations that are scanty material.

#### **0) OTHER PROVISIONS**

These provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The provisions are recognised for the estimated amounts (calculated at the reporting date at their present value) required for probable or certain third-party liability arising from litigation in process or outstanding obligations.

If an outflow of economic benefits is considered only possible, but not probable, no provision is recognised in the consolidated financial statements, but rather a description of the related contingent liability is disclosed.

Provisions for restructuring costs are only recognised when there is a detailed formal plan for the restructuring (identifying the business concerned, the locations affected, the function, and number of employees who will be compensated for terminating their services, the expenditures that will be undertaken and when the plan will be implemented) and, in addition, there is a valid expectation in those affected that the restructuring will be carried out because the plan has started to be implemented or because the main features of the plan have been announced to those affected by it. These provisions are estimated on the basis of both their economic substance and their legal form.

#### **P) FINANCIAL LIABILITIES - LOANS AND CREDIT FACILITIES**

Loans and credit facilities maturing within no more than twelve months from the balance sheet date are classified as current liabilities and those maturing within more than twelve months are classified as non-current liabilities.

All the loans and credit facilities are recognised at their original cost less the costs associated with their arrangement. After their initial recognition, they are subsequently measured at amortised cost. Interest on the payables and all the costs associated with them are recognised in profit or loss on a time proportion basis.

#### **Q) INCOME TAX**

The income tax expense for the year is recognised in the consolidated income statement, except in cases in which it relates to items that are recognised directly in equity, in which case the related tax is also recognised in equity.

Deferred tax is accounted for using the balance sheet liability method. Under this method, deferred tax assets and liabilities are recognised on the basis of the temporary differences between the carrying amounts of the assets or liabilities and their tax bases and are measured on the basis of the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates and laws approved or in the process of being approved at the balance sheet date.

Deferred tax assets and liabilities arising from changes in consolidated equity are charged or credited directly to consolidated equity. Deferred and other tax assets are recognised when their future realisation is reasonably assured and they are subsequently adjusted if benefits are unlikely to be obtained in the future.

Deferred tax liabilities associated with investments in subsidiaries and associates are not recognised if the Parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

## **R) FINANCIAL INSTRUMENTS**

The Group uses certain financial derivatives to manage its exposure to changes in foreign exchange rates and interest rates. All these derivatives, whether or not they have been designated as hedging instruments, are measured at fair value, which is the market value in the case of quoted instruments and, in the case of unquoted instruments, is established on the basis of measurements based on option pricing models or discounted cash flow analyses. These instruments were recognised as follows:

- ❖ Cash flow hedges: the gains and losses obtained as a result of changes in fair value, at the balance sheet, date of financial instruments designated as hedges, provided that the hedges are considered to be effective, are recognised, net of the related tax effect, directly in equity until the forecast transaction occurs, at which time they are transferred to consolidated profit or loss. Gains and losses considered ineffective are recognised directly in the consolidated income statement.
- ❖ Hedges of a net investment in a foreign operation: the portion of the gains or losses on a hedging instrument determined to be an effective hedge arising from fair value adjustments to these investments are recognised, net of the related tax effect, directly under "Translation Differences" and are transferred to the consolidated income statement when the hedged operation is disposed of. Gains and losses considered ineffective are recognised directly in the consolidated income statement.
- ❖ Accounting for financial instruments not designated as hedges or which do not qualify for hedge accounting: the gains and losses from fair value adjustments to such financial instruments are recognised directly in the consolidated income statement.

## **S) REVENUE RECOGNITION**

Revenue and expenses are recognised on an accrual basis. Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of the Group, provided that those inflows result in increases in equity, other than increases relating to contributions from equity participants and that these benefits can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable arising therefrom.

Revenue associated with the rendering of services is only recognised if it can be estimated reliably, by reference to the stage of completion of the transaction at the balance sheet date.

The Group excludes from the revenue figure gross inflows of economic benefits received when it is acting in an agency relationship on behalf of third parties, and only recognises as revenue economic benefits received for its own account.

When goods or services are exchanged or swapped for goods or services in a non-commercial transaction, the exchange is not regarded as a transaction which generates revenue.

The Group records at the net amount non-financial asset purchase or sale agreements settled at the net amount in cash or through some other financial instrument. Agreements entered into and held for the purpose of receiving or delivering such non-financial assets are recognised in accordance with the contractual terms of the purchase, sale or usage expectations of the Group.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable.

#### **T) INFORMATION ON ENVIRONMENTAL ISSUES**

Expenses incurred in relation to environmental activities performed or that must be performed and in managing the effects on the environment of the Group's operations and those arising from obligations relating to the environment are considered to be environmental expenses.

Assets intended to be used on a lasting basis in the Group's operations whose principal purpose is to minimise environmental impact and to protect and improve the environment, including the reduction or elimination of the pollution caused in the future by the Group's operations, are considered to be environmental investments. These assets are accounted for in accordance with the policies established for property, plant and equipment.

#### **U) CO<sub>2</sub> EMISSION ALLOWANCES**

The Group recognises CO<sub>2</sub> emission allowances as intangible assets with indefinite useful lives. The allowances received at zero cost under the related National Allocation Plans are measured at the market price prevailing on the date on which they are received, and an item of deferred income is recognised for the same amount.

In 2008 a new five-year national zero-cost emission allowance allocation plan commenced in Spain, with a total allocation for the period from 2008 to 2012 of 345,815 tonnes.

In 2012 the Group received emission allowances for no consideration equal to 10,127 tonnes (less the allowances relating to the CHP business discontinued in 2011) under the National Allocation Plans approved in Spain (2011: 69,163 tonnes).

From 2013 onwards CO<sub>2</sub> emission allowances will not be allocated as it will not be necessary to meet the established requirements. In 2012 and 2011 the Group consumed 6,023 and 6,210 tonnes of emission allowances, respectively.

These allowances are initially recognised as an intangible asset and an item of deferred income at their market value when they are received, and they are allocated to "Other Operating Income" in the consolidated income statement as the CO<sub>2</sub> emissions that they are intended to cover are made.

Since 2005 companies that make CO<sub>2</sub> emissions in the course of their business activities have had to deliver in the first few months of the following year CO<sub>2</sub> emission allowances equal to the emissions made during the year. The obligation to deliver emission allowances for the CO<sub>2</sub> emissions made during the year is recognised under "Non-Current Liabilities - Other Provisions" in the consolidated balance sheet, and the related cost was recognised under "Cost of Materials Used and Other External Expenses" in the consolidated income statement. This obligation is measured at the same amount as that at which the CO<sub>2</sub> emission allowances to be delivered to cover the obligation are recognised under "Intangible Assets" in the consolidated balance sheet.

If at the consolidated balance sheet date the Group does not hold all the CO<sub>2</sub> emission allowances required to cover the emissions made, the cost and the provision for this portion is recognised on the basis of the best estimate of the price that the Group will have to pay to acquire them. When a more appropriate estimate does not exist, the estimated acquisition price for the allowances not held by the Group is the market price at the consolidated balance sheet date.

At 31 December 2012, the provision recognised in the consolidated balance sheet in relation to the emissions made by the Group in that year amounted to EUR 57 thousand (2011: EUR 88 thousand). This amount is covered by the emission allowances received under the related national allocation plans.

#### **V) TREASURY SHARES**

Treasury shares re-acquired are deducted directly from consolidated equity. No gains or losses are recognised in the consolidated income statement as a result of acquisitions, sales, issues or retirements of the Group's own equity instruments.

#### **W) NEW IFRSS AND IFRICS**

The measurement bases (accounting policies) adopted in preparing the consolidated financial statements for 2012 are consistent with those applied in preparing the consolidated financial statements for 2011, except for the following new IFRSs and IFRICs and changes to existing standards or interpretations that came into force from 1 January 2012:

- ❖ Amendments to IFRS 7, Financial Instruments: Disclosures - Transfers of Financial Assets
- ❖ Amendments to IAS 12, Income Taxes - Deferred Taxes Arising from Investment Property

The adoption of these standards, interpretations and amendments had no material impact on the Group's financial position or results, or on the presentation or the disclosures of these consolidated financial statements.

At the date of issue of these consolidated financial statements, the following main standards and interpretations had been issued by the IASB but had not yet become effective, either because their effective date is subsequent to the date of the consolidated financial statements or because they had not yet been adopted by the European Union: The Group did not opt for the early application of any standard, interpretation or amendment that had been published but whose application was not obligatory.

## STANDARDS AND AMENDMENTS TO STANDARDS

		Obligatory application in in annual reporting periods beginning on or after
<b>Non yet approved for use in the European Union</b>		
IFRS 9, Financial Instruments: Classification and Measurement	Replaces the IAS 39 classification, measurement and derecognition requirements for financial assets and liabilities.	Annual reporting periods beginning on or after 1 July 2015
Amendments to IAS 19, Employee Benefits	The amendments affect mainly defined benefit plans since one of the major changes is the elimination of the "corridor".	Annual reporting periods beginning on or after 1 January 2014
<b>Approved for use in the European Union</b>		
IFRS 10, Consolidated Financial Statements	Supersedes the requirements relating to consolidated financial statements in IAS 27.	Annual reporting periods beginning on or after 1 January 2014
IFRS 11, Joint Arrangements	Supersedes IAS 31 on joint ventures.	Annual reporting periods beginning on or after 1 January 2014
IFRS 12, Disclosure of Interests in Other Entities	Single IFRS presenting the disclosure requirements for interests in subsidiaries, associates, joint arrangements and unconsolidated entities.	Annual reporting periods beginning on or after 1 January 2014
IFRS 13, Fair Value Measurement	Sets out a framework for measuring fair value.	Annual reporting periods beginning on or after 1 January 2013
IAS 28 (Revised), Investments in Associates and Joint Ventures	Revision in conjunction with the issue of IFRS 11, Joint Arrangements.	Annual reporting periods beginning on or after 1 January 2014
Amendment to IAS 32, Offsetting Financial Assets and Financial Liabilities	Additional clarifications to the rules for offsetting financial assets and financial liabilities under IAS 32 and introduction of new related disclosures under IFRS 7.	Annual reporting periods beginning on or after 1 January 2014
Amendments to IFRS 7	Offsetting Financial Assets and Financial Liabilities (issued December 2011).	Annual reporting periods beginning on or after 1 January 2013

### ❖ IFRS 9, Financial Instruments: Classification and Measurement

IFRS 9 will in the future replace the current part of IAS 39 relating to classification and measurement. There are very significant differences with respect to the current standard, in relation to financial assets, including the approval of a new classification model based on only two categories, namely instruments measured at amortised cost and those measured at fair value, the disappearance of the current "held-to-maturity investments" and "available-for-sale financial assets" categories, impairment analyses only for assets measured at amortised cost and the non-separation of embedded derivatives in financial asset contracts.

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

The Group is analysing what effect these new standards will have, but, in theory, no significant changes with respect to the current situation are expected to arise.

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

IFRS 10 modifies the current definition of control. The new definition of control sets out the following three elements of control: power over the investee; exposure, or rights, to variable returns from the investment and the ability to use that power to affect the returns that it receives. IFRS 11, Joint Arrangements supersedes IAS 31. The fundamental change introduced by IFRS 11 with respect to the current standard is the elimination of the option of proportionate consolidation for jointly controlled entities, which will now be accounted for using the equity method.

The Group is analysing how the control relating to these new standards will affect the consolidated companies as a whole, but, in theory, no significant changes with respect to the current situation are expected to arise.

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

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

## 4. SUBSIDIARIES AND ASSOCIATES

The detail of Ebro Foods, S.A.'s direct and indirect investments in Group subsidiaries and associates is as follows:

### SUBSIDIARIES AND ASSOCIATES

	% of Ownership		Parent		Location	Line of business
	12-31-12	12-31-11	12-31-12	12-31-11		
Dosbio 2010, S.L.	100.0%	100.0%	EF	EF	Madrid (Spain)	Flour production
Fincas e Inversiones Ebro, S.A.	100.0%	100.0%	EF	EF	Madrid (Spain)	Agricultural exploitation
Arotz Foods, S.A.	100.0%	100.0%	EF	EF	Madrid (Spain)	Production and canning of vegetables
Jiloca Industrial, S.A.	100.0%	100.0%	EF	EF	Teruel (Spain)	Production of organic fertiliser
Beira Terrace Ltda.	100.0%	100.0%	EF	EF	Porto (Portugal)	Property
Riviana Foods, Inc. (Group) (Riviana)	100.0%	100.0%	EF	EF	Houston (Texas-US)	Production and sale of rice
Panzani, SAS (Group) (Panzani)	100.0%	100.0%	EF	EF	Lyon (France)	Production and sale of pasta and sauces
New World Pasta Comp. (Group) (NWP)	100.0%	100.0%	EF	EF	Harrisburg (US)	Production and sale of pasta and sauces
Ebro Germany, GmbH. (Group) (Birkel)	100.0%	100.0%	EF/Boost	EF/Boost	Germany	Production and sale of pasta and sauces
Ebro Alimentación México, S.A.	100.0%	100.0%	EF	EF	Mexico	Sale of rice
Azucarera Energías, S.L.	60.0%	60.0%	EF	EF	Madrid (Spain)	Combined heat and power
Networks Meal Solutions, S.A. (NMS)	100.0%	100.0%	EF	EF	Madrid (Spain)	Dormant
JJ. Software de Medicina, S.A. (a)	26.8%	26.8%	NMS	NMS	Madrid (Spain)	Dormant
Fundación Ebro Foods	100.0%	100.0%	EF	EF	Madrid (Spain)	Foundation
Ebro Financial Corporate Services, S.L.	100.0%	100.0%	EF	EF	Madrid (Spain)	Insurance and finance
Herba Foods, S.L. (HF)	100.0%	100.0%	EF	EF	Madrid (Spain)	Investment management
Herba Ricemills, S.L (HR)	100.0%	100.0%	EF	EF	Madrid (Spain)	Production and sale of rice
Herba Nutrición, S.L (HN)	100.0%	100.0%	EF	EF	Madrid (Spain)	Production and sale of rice
Fallera Nutrición, S.L.	100.0%	100.0%	HN	HN	Valencia (Spain)	Production and sale of rice
S&B Herba Foods Ltda. (Group)	100.0%	100.0%	HF/R. Int.	HF/R. Int.	London (UK)	Production and sale of rice
Herba Germany, GmbH	100.0%	100.0%	Birkel	Birkel	Hamburg (Germany)	Ownership of trademarks
Riceland Magyarorszag	100.0%	100.0%	HF/EF	HF/EF	Budapest (Hungary)	Production and sale of rice
Danrice A.S.	100.0%	100.0%	HF	HF	Orbaek (Denmark)	Production and sale of rice
Boost Nutrition C.V. (Boost)	100.0%	100.0%	HF / N.C.	HF / N.C.	Merksem (Belgium)	Production and sale of rice
Euryza	100.0%	100.0%	Birkel	Birkel	Stuttgart (Germany)	Production and sale of rice
Mundi Riso S.R.L.	100.0%	100.0%	HF	HF	Vercelli (Italy)	Production and sale of rice
Herba Hellas, S.A.	75.0%	75.0%	HF	HF	Thessalonica (Greece)	In liquidation
Mundi Riz, S.A.	100.0%	100.0%	HF	HF	Larache (Morocco)	Production and sale of rice
Agromeruan	100.0%	100.0%	HF	HF	Larache (Morocco)	Farmland concession operator
Rivera del Arroz, S.A.	100.0%	100.0%	HF	HF	Larache (Morocco)	Rice production
Mundi Vap	100.0%	100.0%	HF	HF	Larache (Morocco)	Production and distribution of rice
Katania Magreb, Ltda.	100.0%	100.0%	HF	HF	Larache (Morocco)	Production and distribution of legumes
Arrozeiras Mundiarroz, S.A.	100.0%	100.0%	HF	HF	Lisbon (Portugal)	Production and sale of rice
Josep Heap Properties, Ltda.	100.0%	100.0%	HF	HF	Liverpool (UK)	Investment management and administration
Risella OY	100.0%	100.0%	HF	HF	Helsinki (Finland)	Sale of rice
Bosto Poland, S.L.	100.0%	100.0%	HF	HF	Warsaw (Poland)	Sale of rice
Herba Bangkok	100.0%	100.0%	HF	HF	Bangkok (Thailand)	Production and sale of rice
Herba Egipto	100.0%	100.0%	HF	HF	Egypt	Production and sale of rice
Herba de Puerto Rico	100.0%	100.0%	HF	HF	Puerto Rico	Sale of rice
Herba Ricemills Rom, SRL	100.0%	100.0%	HF	HF	Romania	Sale of rice
Herba India	100.0%	100.0%	HF	HF	New Delhi (India)	Production and sale of rice
TBA Suntra Beheer, B.V. (Group)	100.0%	100.0%	HF	HF	Netherlands and Belgium	Production and sale of rice
TBA Suntra UK, Ltd.	100.0%	100.0%	HF	HF	Goole (UK)	Production and sale of rice
Ebro Foods Netherland, B.V. (EFN)	100.0%	100.0%	HF	HF	Amsterdam (Netherlands)	Investment management
Lassie Netherland, B.V.	100.0%	100.0%	EFN	EFN	Amsterdam (Netherlands)	Production and sale of rice
Lassie, B.V.	100.0%	100.0%	EFN	EFN	Amsterdam (Netherlands)	Industrial operations
Lassie Property, B.V.	100.0%	100.0%	EFN	EFN	Amsterdam (Netherlands)	Industrial operations



## SUBSIDIARIES AND ASSOCIATES

	% of Ownership		Parent		Location	Line of business
	12-31-12	12-31-11	12-31-12	12-31-11		
Herba Ingredients, B.V.	100.0%	–	EFN	EFN	Amsterdam (Netherlands)	Industrial operations
Mediterranean Foods Label, B.V.	100.0%	100.0%	EFN	EFN	Amsterdam (Netherlands)	Production and sale of rice
Nuratri, S.L.	100.0%	100.0%	HR	HR	Madrid (Spain)	Sale of rice
Nutramas, S.L.	100.0%	100.0%	HR	HR	Madrid (Spain)	Sale of rice
Nutrial, S.L.	100.0%	100.0%	HR	HR	Madrid (Spain)	Sale of rice
Pronatur, S.L.	100.0%	100.0%	HR	HR	Madrid (Spain)	Sale of rice
Vitasan, S.L.	100.0%	100.0%	HR	HR	Madrid (Spain)	Sale of rice
Yofres, S.A.	100.0%	100.0%	HR	HR	Seville (Spain)	Sale of rice
Herba Trading, S.A.	100.0%	100.0%	HR	HR	Seville (Spain)	Sale of rice
Formalac, S.L.	100.0%	100.0%	HR	HR	Seville (Spain)	Sale of rice
Eurodairy, S.L.	100.0%	100.0%	HR	HR	Seville (Spain)	Sale of rice
Española de I+D, S.A.	60.0%	60.0%	HR	HR	Valencia (Spain)	Development and marketing of new products
American Rice, Inc. (ARI)	100.0%	100.0%	Riviana	Riviana	Houston (US)	Production and sale of rice
Riviana International Inc. (R. Int.)	100.0%	100.0%	Riviana	Riviana	Houston (US)	Investment management
Ebro Riviana de Guatemala, S. A.	100.0%	100.0%	R. Int.	R. Int.	Guatemala	Investment management
Ebro de Costa Rica, S.A.	100.0%	100.0%	R. Int.	R. Int.	San José (Costa Rica)	Investment management
R&R Partnership (a)	50.0%	50.0%	Riviana	Riviana	Houston (US)	Production and sale of rice
South La Fourche, Inc (a)	50.0%	50.0%	Riviana	Riviana	Houston (US)	Agricultural exploitation
N&C Boost N. V. (N.C. Boost)	100.0%	100.0%	R. Int.	R. Int.	Antwerp (Belgium)	Investment management
Lustucru Riz	99.8%	99.8%	Panzani	Panzani	Lyon (France)	In liquidation
Lustucru Frais	99.8%	99.8%	Panzani	Panzani	Lyon (France)	Production and sale of fresh pasta
Grands Moulins Maurel	99.8%	99.8%	Panzani	Panzani	Lyon (France)	Production and sale of flour and semolina
Silo de la Madrague	100.0%	100.0%	Panzani	Panzani	Lyon (France)	Production and sale of flour and semolina
Rizerie Franco Americaine et Col., S.A.	100.0%	100.0%	Panzani	Panzani	Lyon (France)	Production and sale of rice
Bosto Panzani Benelux, S.A.	100.0%	100.0%	Boost/Pzni	Boost/Pzni	Merksem (Belgium)	Sale of rice and pasta
Ronzoni Pty.	100.0%	100.0%	NWP	NWP	Montreal (Canada)	Production and sale of pasta and sauces
T.A.G. Nahrungsmittel, GmbH	100.0%	100.0%	Birkel	Birkel	Stuttgart (Germany)	Dormant
Bertolini Import Export GmbH	100.0%	100.0%	Birkel	Birkel	Mannheim (Germany)	Dormant

(a) Associates accounted for using the equity method.

None of the subsidiaries and associates is listed on the stock exchange. The financial statements of all the consolidated companies were at 31 December 2012 and 2011.

## 5. MOST SIGNIFICANT CORPORATE TRANSACTIONS (BUSINESS COMBINATIONS AND/OR SALES) IN 2012 AND 2011 AND EFFECT ON COMPARABILITY

### 5.1 INTRA-GROUP TRANSACTIONS IN 2012

At the beginning of 2012 Ebro Financial Corporate Services, S.L. (a new wholly-owned subsidiary of Ebro Foods, S.A.) commenced its business activities. This company was incorporated to assume -with effect from 2012- the integrated management of the insurance policies taken out to cover the Group subsidiaries located in the EU, the most significant aspects of which had previously been carried out locally, and also to undertake separate management of the financial activity (which refers to the granting of loans, provision of guarantees, the performance of economic and financial studies, etc.). In this connection, Ebro Foods S.A. made a non-monetary contribution to Ebro Financial Corporate Services S.L. comprising the loans it had granted to Group subsidiaries. As a result, independent management of two highly related areas, such as Insurance and Finance, allows the Group to gain stricter and better control of both activities. The restructuring had no impact whatsoever on the consolidated financial statements of the Ebro Foods Group, since both before and after this restructuring, the Group had 100% control over all of the companies involved.

There were no other significant intra-Group corporate transactions in 2012.

## 5.2 INTRA-GROUP TRANSACTIONS IN 2011

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

## 5.3 CORPORATE TRANSACTIONS AFFECTING THE SCOPE OF CONSOLIDATION IN 2012 AND 2011 AND EFFECT ON COMPARABILITY. CHANGES IN THE SCOPE OF CONSOLIDATION

In 2012, in addition to the matters described in Note 5.1 above, there were no changes in the scope of consolidation.

In 2011, in addition to the matters described in Note 5.2 above, there were other changes in the scope of consolidation, the most significant of which were as follows:

### INCLUSIONS IN THE SCOPE OF CONSOLIDATION IN 2011

Company affected	Subgroup	%	Comments
Rice business of the SOS Group	Rice	100%	Acquisition of all the shares of various companies and businesses
Strom Products, Ltd. (No Yolks)	Pasta	100%	Acquisition of this company's business
Suntra Group	Rice	100%	Acquisition of all the shares

#### Rice business of the SOS Group

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

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

#### Strom Products, Ltd. (No Yolks) business

On 21 December 2011, Ebro Foods, S.A. entered into an agreement with the US company Strom Products Ltd. to acquire its pasta business in the US and Canada for USD 50 million. The agreement included the purchase of the No Yolks and Wacky Mac brands relating mainly to the healthy pasta line of business, which was executed (paid) on 30 December 2011.

As regards the effects of the definitive accounting for the business combination of Strom Products, Ltd. –No Yolks– with respect to the provisional accounting therefor at 2011 year-end: the sole effect was a reclassification to decrease “Intangible Assets” by EUR 12,601 thousand, increasing “Goodwill” and “Inventories” by EUR 10,668 thousand and EUR 1,933 thousand, respectively.

## Suntra Group

The Suntra Group, composed of various companies located in the Netherlands, Belgium and the UK, was acquired in July 2011. This group engages in the production and marketing (industrial sales) of certain types of rice.

The Ebro Group acquired an ownership interest of 50% in the Suntra Group from one of its two shareholders. In addition, the Ebro Group entered into an agreement with the other shareholder for the future acquisition of the other 50% through a put option held by the shareholder whereby the Ebro Group, where applicable, would be required to acquire the remaining 50% of the investment, and entered into an agreement between shareholders whereby the Suntra Group allocates control to the Ebro Group. The Ebro Group has ensured that other third parties may not acquire the aforementioned ownership interest by means of a pre-emption right. Lastly, the Ebro Group has an irrevocable purchase option on the ownership interest in the event of the other shareholder's death or incapacity. Therefore, the Suntra Group's shares were included in the scope of consolidation as a wholly-owned company and a non-current financial liability was recognised for the estimated cost of the purchase option on the remaining 50%.

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

(THOUSANDS OF EUROS)	SOS Business		No Yolks Business		SUNTRA Group		Total	
	Inclusion date		Inclusion date		Inclusion date			
	08-31-11		12-30-11		07-01-11			
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Intangible assets	48,073	52,835		26,044	37	37	48,110	78,916
Property, plant and equipment	57,418	62,799			3,513	3,513	60,931	66,312
Financial assets	0	0			102	102	102	102
Deferred tax assets	1,878	3,048			0	0	1,878	3,048
Inventories	38,902	38,902		1,933	4,699	4,699	43,601	45,534
Other current assets	57,448	57,448			11,078	11,078	68,526	68,526
<b>Total assets</b>	<b>203,719</b>	<b>215,032</b>	<b>0</b>	<b>27,977</b>	<b>19,429</b>	<b>19,429</b>	<b>223,148</b>	<b>262,438</b>
Deferred income	1,596	1,596			0	0	1,596	1,596
Provisions for pensions and similar obligations	502	502			0	0	502	502
Non-current financial liabilities	19,494	19,494			946	946	20,440	20,440
Deferred tax liabilities	8,938	8,895			51	51	8,989	8,946
Current financial liabilities	2,414	2,414			9,830	9,830	12,244	12,244
Trade payables	14,404	14,404			2,113	2,113	16,517	16,517
Other current liabilities	5,248	5,248			3,171	3,171	8,419	8,419
<b>Total liabilities</b>	<b>52,596</b>	<b>52,553</b>	<b>0</b>	<b>0</b>	<b>16,111</b>	<b>16,111</b>	<b>68,707</b>	<b>68,664</b>
<b>Total net assets and liabilities</b>	<b>151,123</b>	<b>162,479</b>	<b>0</b>	<b>27,977</b>	<b>3,318</b>	<b>3,318</b>	<b>154,441</b>	<b>193,774</b>
Goodwill		41,023		10,668		11,205		62,896
<b>Total investment</b>		<b>203,502</b>		<b>38,645</b>		<b>14,523</b>		<b>256,670</b>
Financed with financial liabilities and cash		203,502		38,645		14,523		256,670
<b>Total investment</b>		<b>203,502</b>		<b>38,645</b>		<b>14,523</b>		<b>256,670</b>
Net cash acquired with the subsidiary		17,395		0		(7,020)		10,375
Sales since acquisition date		86,348		0		31,527		117,875
Net profit contributed since acquisition date		4,487		0		1,868		6,355
Sales since 1 January (a)		219,611		28,806		62,874		311,291
Net profit contributed since 1 January (a)		15,981		4,621		3,776		24,378

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

## 6. SEGMENT REPORTING

The operating segments are organised and managed separately on the basis of the nature of the products and services provided, and each segment represents a strategic business unit that offers different products and serves different markets. Therefore, the Group's segment reporting is organised by business segments since the risks and rates of return of the Group are affected mainly by differences in the products and services offered.

The Ebro Foods Group continues to be divided into the following business segments and/or activities:

- ❖ Rice business
- ❖ Pasta business
- ❖ Other businesses and/or activities

These businesses and/or activities constitute the basis for the Group's segment reporting. The financial information relating to these business segments is presented in the table at the end of this Note.

### RICE BUSINESS

**Herba Group:** this group specialises in the rice business. The Group has consolidated its position as the leading rice group in Europe and as one of the most important in the world. It has an extensive and modern structure of production facilities and sales networks with which it maintains commercial relations in more than 60 countries.

The Group is the European leader in the retail market for rice, food service and rice supplies, rice-based products or ingredients for industrial uses. It follows a multi-brand strategy with a brand portfolio that includes successful and prestigious brands in the market in which it operates which include, inter alia: SOS, La Fallera, La Cigala, Saludades, Lassie, Reis fit, Rix fis, Oryza, Bosto, Riceland, Risella, Peacock, Phoenix, El Mago and Sello Rojo.

The Group's market share in the main retail markets in which it operates is provided in the following table:

### SEGMENT REPORTING

Country	Volume	Value	Position
Spain	22.90%	33.20%	Leader
Portugal	15.80%	12.90%	Leader
Germany	10%	18.70%	2 <sup>nd</sup>
Belgium	24.30%	29.30%	2 <sup>nd</sup>
The Netherlands	19.30%	26.30%	Leader
Puerto Rico	9%	12%	3 <sup>rd</sup>

In addition, the Group acts as a rice supplier for the leading European food companies:

- ❖ Beverage industries.
- ❖ Industrial rice companies.
- ❖ Infant food: cereals, babyfood, etc.
- ❖ Pre-cooked ready meals: non-refrigerated, dehydrated, frozen, etc.
- ❖ Animal and pet food.

**Riviana Group:** This is the Group's unit that specialises in the rice business in the US through Riviana Inc., the largest rice company in the US, with facilities for rice processing and production in Tennessee, Texas and Arkansas.

Riviana is the leading Group in rice sales in the US retail market, with a wide range of brands which include, inter alia, Mahatma and Minute, which are both leaders in the traditional and instant rice segments, respectively.

The Group's overall market share in the North American retail market is 28.8% in terms of volume, extending its presence to markets under expansion such as the microwave and frozen rice segment under the Minute flagship brand.

It also has a strong international presence in those markets traditionally more associated with the US such as Mexico and various Caribbean and Middle Eastern states, under the Abu Bint brand in the case of the latter, which is the market leader in the parboiled rice market in Saudi Arabia.

#### **PASTA BUSINESS**

**Panzani Group and Ebro Alemania Group:** this unit specialises in the pasta and sauce business.

The French Group Panzani is the leader in France in the dry and fresh pasta, rice, semolina and sauces industries.

The fresh sauce and fresh pasta product line is a high value added proposition for consumers in which it is the undisputed leader in the French market. Products are sold under the Panzani and Lustucru brands with market shares of 33.4% and 34.4%, respectively. This line continues to grow strongly spearheading the Group's innovation with products for skillet cooking, new risotto sauces, fresh ready to eat dishes and new fresh specialities with a potato base.

Panzani markets rice under two brands: Lustucru, focusing on conventional and quick-cook rice, and Taureau Ailé, marketing exotic rice and currently the market leader in France.

Semolina is marketed through the market leaders Regia and Ferrero brands.

Additionally, it is a leading company in Belgium and the Czech Republic with market shares of 11% and 13%, respectively, and exports pasta and semolina to the Maghreb and French-speaking countries.

The German group is the German market leader in the dry pasta industry through the Birkel, 3Glocken and Nudel Up brands.

**New World Pasta Group:** New World Pasta is a leading company in the dry pasta industry in the US and Canada.

Its production facilities are located in Montreal (Quebec), Fresno (California), Saint Louis (Missouri) and Winchester (Virginia).

New World Pasta implements a multi-brand strategy through brands with a strong local presence and an important business segment focusing on the health and wellbeing under the Healthy Harvest, Smart Taste and Garden Delight brands.

The New World Pasta Group has an extensive, complementary and solid portfolio of brand names, which includes inter alia: Ronzoni, Skinner, Prince, American Beauty, San Giorgio, Creamette and No Yolks in the US and Catelli, Lancia and Ronzoni in Canada. The Group's overall market share in the US and Canada was of 22.7% and 33.9%, respectively.

#### **OTHER BUSINESSES AND/OR ACTIVITIES**

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

**Asset management (GDP):** This unit specialises in managing the Group's investment property. It controls all of the Group's properties, analysing their status and reducing costs, disposing of buildings not used for industrial activities and taking the necessary measures to ensure that their value is maximised prior to their sale.

#### **Basis and methodology for segment reporting**

The restructuring and re-adaptation processes that have taken place in recent years at the Group have made it possible to establish the size of each of the main businesses separately, which facilitates management and decision-making and improves financial control. Therefore, the consolidated expenses, income, assets and liabilities directly pertaining to each segment are allocated to that segment. It was not necessary to establish criteria for allocating common expenses and income and common assets and liabilities to the segments.

In this regard, although the structure of non-financial non-current assets and liabilities and current assets and liabilities corresponds to the needs of each business or activity, it should be noted that the financial structure of the accompanying balance sheets by segment was established on the basis of internal financial management criteria based on an appropriate and necessary degree of centralisation and coordination at Group level.

#### **Inter-segment transactions**

Although the inter-segment transactions are not significant with respect to the total consolidated figures, in order to determine the income, expenses and profit or loss of the segments the inter-segment transactions were included. These transactions are measured at the market prices at which similar goods and services are billed to non-Group customers. These transactions were eliminated on consolidation.

#### **6.1 GEOGRAPHICAL INFORMATION**

The geographical information was determined on the basis of the location of the Group's assets. The sales to non-Group customers are based on the geographical location of the customers. The geographical areas in which each of the Group's operating segments operates were stated in the preceding description of the operating segments. The businesses and/or activities carried on by the Group are summarised by geographical area as follows:

- ❖ In Spain - the rice business of Herba.
- ❖ In the rest of Europe - basically the businesses of Herba, Panzani and Ebro Alemania.
- ❖ In the US - the businesses of Riviana, American Rice and NWP.
- ❖ Rest of the world - basically the rice business of Herba, plus a portion of the exports of Panzani and of American Rice.

The breakdown of the assets and revenue by geographical market of the activities, without considering the place in which the goods are produced, is as follows:

#### Data obtained from consolidated accounts

##### 2011 - GEOGRAPHICAL AREA

	Spain	Europe	Americas	Other	Total
Segment revenue	150,485	982,956	699,033	97,400	1,929,874
Inter-segment sales	(3,681)	(61,573)	(59,864)	(645)	(125,763)
<b>Total revenue</b>	<b>146,804</b>	<b>921,383</b>	<b>639,169</b>	<b>96,755</b>	<b>1,804,111</b>
Intangible assets	32,230	134,958	212,875	61	380,124
Property, plant and equipment	73,398	204,418	212,619	17,325	507,760
Other assets	329,150	842,081	609,870	41,623	1,822,724
<b>Total assets</b>	<b>434,778</b>	<b>1,181,457</b>	<b>1,035,364</b>	<b>59,009</b>	<b>2,710,608</b>
<b>Non-current asset additions</b>	<b>5,362</b>	<b>33,853</b>	<b>29,384</b>	<b>290</b>	<b>68,889</b>

##### 2012 - GEOGRAPHICAL AREA

	Spain	Europe	Americas	Other	Total
Segment revenue	152,658	1,051,750	842,525	122,706	2,169,639
Inter-segment sales	(3,634)	(63,238)	(60,999)	(502)	(128,373)
<b>Total revenue</b>	<b>149,024</b>	<b>988,512</b>	<b>781,526</b>	<b>122,204</b>	<b>2,041,266</b>
Intangible assets	31,723	135,188	207,032	50	373,993
Property, plant and equipment	71,238	211,436	201,180	12,191	496,045
Other assets	310,509	868,720	658,701	23,844	1,861,774
<b>Total assets</b>	<b>413,470</b>	<b>1,215,344</b>	<b>1,066,913</b>	<b>36,085</b>	<b>2,731,812</b>
<b>Non-current asset additions</b>	<b>5,360</b>	<b>36,243</b>	<b>11,531</b>	<b>330</b>	<b>53,464</b>

#### 6.2 OPERATING SEGMENTS

The following tables present information on the revenue and profit or loss of the continuing operations and certain information on assets and liabilities relating to the Group's operating segments for theyears ended 31 December 2012 and 2011.

**INFORMATION ON BUSINESS SEGMENTS - CONTINUING OPERATIONS**

EBRO FOODS GROUP (Thousands of euros)	Total consolidated figures		Rice business		Pasta business		EF Holding company		Other businesses and consolidation adjustments	
	12-31-12	12-31-11	12-31-12	12-31-11	12-31-12	12-31-11	12-31-12	12-31-11	12-31-12	12-31-11
<b>Balance sheet</b>										
Intangible assets	373,993	380,124	154,409	158,618	206,973	208,329	12,366	12,899	245	278
Property, plant and equipment	496,045	507,760	263,350	277,849	222,105	218,711	2,174	2,727	8,416	8,473
Investment property	32,637	31,922	32,803	30,698	1	1	12,112	11,973	(12,279)	(10,750)
Financial assets	65,341	56,134	1,254	941	3,040	4,546	61,021	50,525	26	122
Investments in associates	3,209	2,740	47,390	45,702	31,776	31,776	1,274,049	1,293,192	(1,350,006)	(1,367,930)
Deferred tax assets	53,024	55,582	16,497	17,811	23,971	24,169	20,526	15,287	(7,970)	(1,685)
Goodwill	823,207	828,873	303,146	308,133	519,933	520,612	0	0	128	128
Other non-current assets	0	0	0	0	0	0	0	0	0	0
Receivable from Group companies	0	0	87,565	83,331	204,162	174,112	117,837	158,281	(409,564)	(415,724)
Other current assets	884,356	847,473	453,602	455,847	349,740	334,391	65,412	41,742	15,602	15,493
	<b>2,731,812</b>	<b>2,710,608</b>	<b>1,360,016</b>	<b>1,378,930</b>	<b>1,561,701</b>	<b>1,516,647</b>	<b>1,565,497</b>	<b>1,586,626</b>	<b>(1,755,402)</b>	<b>(1,771,595)</b>
Assets classified as held for sale	0	0							0	0
<b>Total assets</b>	<b>2,731,812</b>	<b>2,710,608</b>							<b>(1,755,402)</b>	<b>(1,771,595)</b>
Total equity	1,693,237	1,588,460	917,385	853,187	1,054,538	998,025	1,048,136	1,075,236	(1,326,822)	(1,337,988)
Deferred income	2,723	4,716	2,539	4,519	0	0	0	0	184	197
Provisions for pensions and obligations	44,760	40,948	19,789	18,522	22,835	21,077	2,030	1,252	106	97
Other provisions	21,926	49,067	7,043	3,770	5,755	7,874	8,828	37,369	300	54
Non-current and current financial liabilities	418,427	489,151	77,293	124,554	79,285	74,108	261,390	290,006	459	483
Other non-financial payables	26	38	26	38	0	0	0	0	0	0
Deferred tax liabilities	229,999	201,918	85,740	76,848	93,719	87,603	50,562	37,487	(22)	(20)
Payable to Group companies	0	0	126,732	163,877	125,221	145,160	183,437	131,427	(435,390)	(440,464)
Other current liabilities	320,714	336,310	123,469	133,615	180,348	182,800	11,114	13,849	5,783	6,046
	<b>2,731,812</b>	<b>2,710,608</b>	<b>1,360,016</b>	<b>1,378,930</b>	<b>1,561,701</b>	<b>1,516,647</b>	<b>1,565,497</b>	<b>1,586,626</b>	<b>(1,755,402)</b>	<b>(1,771,595)</b>
Liabilities associated with assets classified as held for sale	0	0							0	0
<b>Total liabilities</b>	<b>2,731,812</b>	<b>2,710,608</b>							<b>(1,755,402)</b>	<b>(1,771,595)</b>
Investments in the year	53,464	68,889	19,414	27,582	33,628	40,685	325	481		
Capital employed	1,212,424	1,007,686	729,081	629,136	538,673	458,627	19,428	18,599		
ROCE	20,0	22,2	18,4	18,8	22,4	26,1	-	-		
Leverage	14,5%	24,6%								
Average headcount for the year	4,884	4,920								
<b>Stock market data:</b>										
Number of shares (in thousands)	153,865	153,865								
Market capitalisation at year-end	2,308	2,208								
Earnings per share	1,04	0,99								
Dividend per share	0,63	0,87								
Underlying carrying amount per share	11,00	10,32								

Millions of euros



**INFORMATION ON BUSINESS SEGMENTS - CONTINUING OPERATIONS**

EBRO FOODS GROUP (Thousands of euros)	Total consolidated figures		Rice business		Pasta business		EF Holding company		Other businesses and consolidation adjustments	
	12-31-12	12-31-11	12-31-12	12-31-11	12-31-12	12-31-11	12-31-12	12-31-11	12-31-12	12-31-11
<b>Income statement</b>										
External revenue	2,041,266	1,804,111	1,051,224	868,276	964,861	911,166	947	800	24,234	23,869
Net inter-segment revenue		0	54,785	52,483	17,347	17,131	4,814	4,019	(76,946)	(73,633)
<b>Total revenue</b>	<b>2,041,266</b>	<b>1,804,111</b>	<b>1,106,009</b>	<b>920,759</b>	<b>982,208</b>	<b>928,297</b>	<b>5,761</b>	<b>4,819</b>	<b>(52,712)</b>	<b>(49,764)</b>
Changes in inventories	(6,226)	23,375	(9,430)	20,156	3,311	3,078	0	0	(107)	141
In-house work on non-current assets	647	1,100	13	4	634	1,096	0	0	0	0
Other operating income	73,593	35,011	12,961	6,864	8,777	6,425	55,710	23,443	(3,855)	(1,721)
Materials used and other expenses	(1,121,487)	(985,611)	(659,346)	(561,846)	(518,860)	(477,481)	0	0	56,719	53,716
Staff costs	(248,193)	(234,971)	(109,182)	(97,337)	(125,692)	(124,182)	(10,684)	(10,496)	(2,635)	(2,956)
Depreciation and amortisation charge	(57,281)	(49,084)	(27,107)	(22,255)	(28,735)	(25,393)	(1,259)	(1,252)	(180)	(184)
Other operating expenses	(403,110)	(374,857)	(184,065)	(163,335)	(213,642)	(204,042)	(26,624)	(25,670)	21,221	18,190
<b>Profit/Loss from operations</b>	<b>279,209</b>	<b>219,074</b>	<b>129,853</b>	<b>103,010</b>	<b>108,001</b>	<b>107,798</b>	<b>22,904</b>	<b>(9,156)</b>	<b>18,451</b>	<b>17,422</b>
Finance income	12,910	26,382	9,483	11,552	5,757	3,865	21,673	154,147	(24,003)	(143,182)
Finance costs	(45,723)	(24,342)	(13,993)	(16,312)	(5,198)	(4,477)	(32,931)	(5,856)	6,399	2,303
Impairment of goodwill	(178)	(176)	(178)	(176)	0	0	0	0	0	0
Share of results of associates	1,683	1,455	2,405	4,483	0	0	0	0	(722)	(3,028)
<b>Consolidated profit/loss before tax</b>	<b>247,901</b>	<b>222,393</b>	<b>127,570</b>	<b>102,557</b>	<b>108,560</b>	<b>107,186</b>	<b>11,646</b>	<b>139,135</b>	<b>125</b>	<b>(126,485)</b>

## 7. DISCONTINUED OPERATIONS

There were no discontinued operations in 2012.

## 8. OTHER INCOME AND EXPENSES

### 8.1 OTHER OPERATING INCOME

	2012	2011
Grants (related to income and assets)	1,200	1,964
Income due to CO <sub>2</sub> emission allowances	56	88
Other current operating income	9,470	8,137
Gains on non-current asset disposals	36,926	2,927
Gains on disposals of equity investments	0	33
Income from reversals of impairment losses on non-current assets	1,898	0
Other income	24,043	21,862
Reversal of the provision for guarantees arising from the sale of the dairy product business	20,934	0
Reversal of provisions for other litigation	2,103	3,543
Reversal of the provision for guarantees relating to the sale of the sugar business	0	17,638
Other minor items of income	1,006	681
	<b>73,593</b>	<b>35,011</b>

“Other Operating Income” in 2012 includes the following non-recurring items:

- ❖ Gains of EUR 31,492 thousand obtained on the disposal of the Nomen brand and other less significant brands (see Note 9).
- ❖ Income of EUR 23,037 thousand on the reversal of provisions for litigation procedures, which had ended. The most significant issue in this connection relates to the resolution reached for the litigations relating to the sale of the dairy product business, which resulted in the reversal of a provision amounting to EUR 20,934 thousand (see Note 21).
- ❖ Gains of EUR 3,431 thousand on the sale of property, plant and equipment, of EUR 1,898 thousand for reversal of impairment losses on property, plant and equipment and of EUR 2,003 thousand on disposal of CO<sub>2</sub> emission allowances.
- ❖ The remaining operating income related to grants and other lesser amounts of current operating income.

“Other Operating Income” in 2011 included the following non-recurring items:

- ❖ Gains of EUR 2,927 thousand on the sale of property, plant and equipment and the sale of CO<sub>2</sub> emission allowances.
- ❖ Indemnities received amounting to EUR 2,501 thousand from the resolution of litigation proceedings.
- ❖ Reversal of provisions for litigation and disputes for which favourable decisions were handed down, amounting to EUR 18,680 thousand, the most significant of which related to guarantees provided at the time for the sale of the sugar business.

## 8.2 OTHER OPERATING EXPENSES

	2012	2011
External expenses and outside services	(296,315)	(264,490)
Advertising expenditure	(70,570)	(69,454)
Research and development expenditure	(1,739)	(2,099)
Expenses relating to CO <sub>2</sub> emission allowances	(57)	(88)
Taxes other than income tax	(8,476)	(8,956)
Losses on disposals of non-current assets and impairment losses	(5,325)	(12,422)
Other expenses and provisions recognised	(20,628)	(17,348)
Provision for litigation and disputes	(4,052)	(1,178)
Industrial restructuring costs	(10,037)	(9,832)
Expenses relating to acquisitions of new businesses and investments	(4,985)	(4,157)
Other minor expense items	(1,554)	(2,181)
	<b>(403,110)</b>	<b>(374,857)</b>

“Other Operating Expenses” in 2012 include the following non-recurring items:

- ❖ Losses and expenses of EUR 7,933 thousand arising from the decision to close the rice plant in Germany, which included impairment losses on property, plant and equipment amounting to EUR 2,670 thousand and provisions for workforce restructuring costs of EUR 4,695 thousand.
- ❖ Losses of EUR 317 thousand on the derecognition or disposal of various items of industrial equipment and fixtures.
- ❖ Recognition of a EUR 2,338 thousand impairment loss on investment property.
- ❖ Expenses and period provisions of EUR 4,052 thousand for certain contingencies and legal proceedings in process.
- ❖ Industrial restructuring expenses of EUR 5,342 thousand in various work centres.
- ❖ Investment expenses not eligible for capitalisation and the start-up of new IT systems amounting to EUR 4,985 thousand.

“Other Operating Expenses” in 2011 included the following non-recurring items:

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

### 8.3 FINANCE COSTS AND FINANCE INCOME

	2012	2011
<b>Finance costs</b>		
On debts to third parties	(8,420)	(9,093)
Arising from interest relating to provisions for litigation	(214)	(1,541)
On financial cost of pensiones and similar obligations	(2,075)	(2,040)
Losses on derecognition or disposal of financial assets and liabilities	(39)	(67)
Impairment of financial assets (Note 12)	(29,518)	(1,452)
Expenses and losses relating to derivatives and financial instruments	(1,471)	(1,767)
Exchange losses	(3,986)	(8,382)
	<b>(45,723)</b>	<b>(24,342)</b>
<b>Finance income</b>		
On investments with third parties	2,621	10,283
On financial income from pensions and similar obligations	1,503	1,358
Gains on derecognition or disposal of financial assets and liabilities	2	3,742
Reversal of impairment losses on financial assets	4,079	315
Gains on derivatives and financial instruments	699	1,933
Exchange gains	4,006	8,751
	<b>12,910</b>	<b>26,382</b>
<b>Net financial profit (loss)</b>	<b>(32,813)</b>	<b>2,040</b>

### 8.4 STAFF COSTS

	2012	2011
Wages and salaries	(187,802)	(179,346)
Other employee benefit costs	(17,980)	(17,196)
Social security and similar costs	(35,232)	(33,338)
Post-employment benefit and similar costs	(7,179)	(5,091)
	<b>(248,193)</b>	<b>(234,971)</b>

The detail of the average number of employees in 2012 and 2011 and of the 2012 and 2011 year-end headcounts at the Group companies (taking into account the changes in the scope of consolidation in 2011) is as follows:

#### AVERAGE NUMBER 2012

	Men		Women		Total
	Permanent	Temporary	Permanent	Temporary	
Executives	97	0	38	0	135
Middle management	372	10	147	16	545
Clerical staff	216	15	351	30	612
Assistants	483	251	134	44	912
Sales personnel	134	8	53	40	235
Other staff	1,548	489	349	59	2,445
<b>Total</b>	<b>2,850</b>	<b>773</b>	<b>1,072</b>	<b>189</b>	<b>4,884</b>

#### AVERAGE NUMBER 2011

	Men		Women		Total
	Permanent	Temporary	Permanent	Temporary	
Executives	107	0	36	0	143
Middle management	355	13	126	17	511
Clerical staff	206	15	325	33	579
Assistants	518	183	168	50	919
Sales personnel	132	6	50	2	190
Other staff	1,530	584	345	119	2,578
<b>Total</b>	<b>2,848</b>	<b>801</b>	<b>1,050</b>	<b>221</b>	<b>4,920</b>

#### YEAR-END HEADCOUNT 2012

	Men		Women		Total
	Permanent	Temporary	Permanent	Temporary	
Executives	98	0	38	0	136
Middle management	366	13	150	18	547
Clerical staff	213	16	348	21	598
Assistants	438	214	134	38	824
Sales personnel	135	6	56	1	198
Other staff	1,527	384	338	85	2,334
<b>Total</b>	<b>2,777</b>	<b>633</b>	<b>1,064</b>	<b>163</b>	<b>4,637</b>

#### YEAR-END HEADCOUNT 2011

	Men		Women		Total
	Permanent	Temporary	Permanent	Temporary	
Executives	108	0	37	0	145
Middle management	355	13	128	16	512
Clerical staff	209	15	347	36	607
Assistants	473	257	131	86	947
Sales personnel	133	5	52	1	191
Other staff	1,568	403	349	100	2,420
<b>Total</b>	<b>2,846</b>	<b>693</b>	<b>1,044</b>	<b>239</b>	<b>4,822</b>

## 9. INTANGIBLE ASSETS

The detail of the consolidated Group's intangible assets at 31 December 2012 and 2011, of the related accumulated amortisation and impairment losses and of the changes therein each year is as follows (in thousands of euros):

### NET VALUES

	Development expenditure	Trademarks and patents	Computer software	CO <sub>2</sub> and other allowances	Intangible assets in progress	Total
Balance at 31 December 2010	15	280,209	7,625	558	5,054	293,461
Balance at 31 December 2011	11	362,014	5,999	1,415	10,685	380,124
Balance at 31 December 2012	29	358,891	13,500	459	1,114	373,993

### GROSS VALUES

	Development expenditure	Trademarks and patents	Computer software	CO <sub>2</sub> and other allowances	Intangible assets in progress	Total
<b>Balance at 31 December 2010</b>	<b>955</b>	<b>293,084</b>	<b>25,901</b>	<b>587</b>	<b>5,054</b>	<b>325,581</b>
Business combinations		78,878	160			79,038
Sales (disposals) of businesses	(681)	(4,952)	(157)			(5,790)
Increases in 2011		12	1,437	2,225	5,624	9,298
Decreases in 2011	(78)	(220)	(339)	(1,436)		(2,073)
Translation differences		6,371	471	75	7	6,924
Assets classified as held for sale						0
Transfers						0
<b>Balance at 31 December 2011</b>	<b>196</b>	<b>373,173</b>	<b>27,473</b>	<b>1,451</b>	<b>10,685</b>	<b>412,978</b>
Business combinations						0
Sales (disposals) of businesses						0
Increases in 2012			12,937	1,087	(9,023)	5,001
Decreases in 2012		(1,197)	(380)	(2,043)		(3,620)
Translation differences		(3,747)	(256)	7	(8)	(4,004)
Assets classified as held for sale						0
Transfers		541	37	(1)	(540)	37
<b>Balance at 31 December 2012</b>	<b>196</b>	<b>368,770</b>	<b>39,811</b>	<b>501</b>	<b>1,114</b>	<b>410,392</b>

### ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES

	Development expenditure	Trademarks and patents	Computer software	CO <sub>2</sub> and other allowances	Intangible assets in progress	Total
<b>Balance at 31 December 2010</b>	<b>(940)</b>	<b>(12,875)</b>	<b>(18,276)</b>	<b>(29)</b>	<b>0</b>	<b>(32,120)</b>
Business combinations			(122)			(122)
Sales (disposals) of businesses	683	1,508	97			2,288
Increases in 2011	(6)	(29)	(3,086)	(7)		(3,128)
Decreases in 2011	78	220	338			636
Translation differences		17	(425)			(408)
Assets classified as held for sale						0
Transfers						0
<b>Balance at 31 December 2011</b>	<b>(185)</b>	<b>(11,159)</b>	<b>(21,474)</b>	<b>(36)</b>	<b>0</b>	<b>(32,854)</b>
Business combinations						0
Sales (disposals) of businesses						0
Increases in 2012	(6)	(16)	(5,118)	(6)		(5,146)
Decreases in 2012		1,037	378			1,415
Translation differences		(11)	220			209
Assets classified as held for sale						0
Transfers	24	270	(317)			(23)
<b>Balance at 31 December 2012</b>	<b>(167)</b>	<b>(9,879)</b>	<b>(26,311)</b>	<b>(42)</b>	<b>0</b>	<b>(36,399)</b>

The trademarks and patents included in intangible assets were acquired directly or through business combinations. Substantially all these intangible assets were regarded as having an indefinite useful life and they were measured using the cost model.

In 2012 and 2011 the most significant of these assets were tested for impairment (mainly by independent valuers -American Appraisal-) and the following carrying amounts were allocated to the following cash-generating units:

- ❖ EUR 13,293 thousand (2011: EUR 13,293 thousand) of the carrying amount of the trademarks were allocated to the Herba Germany cash-generating unit of the Herba rice business segment.
- ❖ EUR 92,063 thousand (2011: EUR 93,885 thousand) of the carrying amount of the trademarks were allocated to the cash-generating unit of the US Riviana rice business segment.
- ❖ EUR 83,195 thousand (2011: EUR 83,195 thousand) of the carrying amount of the trademarks were allocated to the cash-generating unit of the French Panzani pasta business segment.
- ❖ EUR 98,433 thousand (2011: EUR 73,524 thousand) of the carrying amount of the trademarks were allocated to the cash-generating unit of the US NWP pasta business segment.
- ❖ EUR 13,409 thousand (2011: EUR 13,409 thousand) of the carrying amount of the trademarks were allocated to the cash-generating unit of the European Birkel pasta business segment.
- ❖ EUR 4,000 thousand (2011: EUR 4,000 thousand) of the carrying amount of the trademarks were allocated to the Risella (Finland) cash-generating unit as part of the Herba rice business segment.
- ❖ EUR 39,723 thousand (2011: EUR 39,723 thousand) of the carrying amount of the trademarks in the acquisition in 2011 of the SOS Group's European rice business, as part of the Herba rice business segment.
- ❖ EUR 14,170 thousand (2011: EUR 14,451 thousand) of the carrying amount of the trademarks in the acquisition in 2011 of SOS's US rice business, as part of the US Riviana rice business segment.

The recoverable amount of these trademarks, or of the cash-generating units to which they belong, was determined on the basis of their value in use, using, as a general rule, cash flow projections based on five-year budgets. The discount rates used in the cash flow projections of these assets range from 6.4% in the US and Canada, to 5.9% in the German markets, to 6.5% in the French market, 9.8% in the Spanish market and 11.6% for Portugal, depending on the geographical area in which the trademark or cash-generating unit is located, and the cash flows for periods beyond the five-year period are extrapolated using a growth rate equal to the average long-term growth rate of the unit in question, which is usually between 0.0% and 2.1% depending on the business concerned.

As regards the assumptions used in calculating the value in use of these trademarks, it is considered that in no case would any reasonable, possible change in any of the assumptions used increase the carrying amount of these trademarks to above their recoverable amount. Accordingly, even if the discount rates used were to increase by 20% no material impairment losses would arise, and this would also apply in the event that the growth rates were to vary by 20%.

#### **CHANGES IN THE YEAR**

In 2012 the most significant changes in "Intangible Assets" were as follows:

- ❖ Increase of EUR 5,001 thousand for new intangible assets: acquisition of computer hardware amounting to EUR 3,914 thousand and the remaining amount relating to CO<sub>2</sub> emission allowance.
- ❖ Decrease of EUR 3,795 thousand due to translation differences.
- ❖ Decrease due to the amortisation charge for the year of EUR 5,146 thousand.
- ❖ Decrease due to the disposal and derecognition of CO<sub>2</sub> emission allowances of EUR 2,043 thousand.
- ❖ In 2012 net disposals or reductions amounted to EUR 162 thousand and transfers increased by EUR 14 thousand.

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

- ❖ Increase of EUR 78,916 thousand relating to the business combinations in 2011.
- ❖ Increase of EUR 9,298 thousand relating to new intangible assets, mostly the acquisition of computer hardware and software, and, to a lesser extent, CO<sub>2</sub> allowances.
- ❖ Increase in translation differences of EUR 6,516 thousand.
- ❖ Decrease relating to the amortisation charge for the year and impairment losses of EUR 3,118 thousand and EUR 10 thousand, respectively.
- ❖ Decrease of EUR 3,502 thousand due to the exclusion from the scope of consolidation of Biosearch, S.A.
- ❖ In 2011 CO<sub>2</sub> emission allowances amounting to EUR 1,437 thousand were derecognised and there were other non-material additions and reductions.

Lastly, as indicated in the 2011 consolidated financial statements, in September 2011 the Spanish National Competition Commission approved the acquisition of the SOS rice business in Spain, subject to the obligation that Ebro Foods, S.A. licence or transfer the Nomen as well as the La Parrilla, La Cazuela, Pavo Real and Nobleza brands. As a result, on 26 April 2012 Ebro Foods, S.A. and Arrossaires del Delta de L'Ebre, SCCL entered into an agreement whereby the former undertook to sell the latter its Nomen business under the following terms and conditions:

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

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



## 10. PROPERTY, PLANT AND EQUIPMENT

The detail of the consolidated Group's property, plant and equipment at 31 December 2012 and 2011, of the related accumulated depreciation and impairment losses and of the changes therein each year is as follows (in thousands of euros):

### NET VALUES

	Land	Buildings	Plant and machinery	Other fixtures, tools and furniture	Other plant and equipment	In the course of construction	Total
Balance at 31 December 2010	67,748	126,319	223,695	13,096	4,184	14,552	449,594
Balance at 31 December 2011	70,983	146,592	258,277	13,207	4,166	14,535	507,760
Balance at 31 December 2012	73,364	143,378	249,490	11,334	3,716	14,763	496,045

### GROSS VALUES

	Land	Buildings	Plant and machinery	Other fixtures, tools and furniture	Other plant and equipment	In the course of construction	Total
<b>Balance at 31 December 2010</b>	<b>67,748</b>	<b>229,829</b>	<b>636,336</b>	<b>38,802</b>	<b>11,794</b>	<b>25,166</b>	<b>1,009,675</b>
Business combinations	5,109	24,232	37,211	3,726	533	386	71,197
Sales (disposals) of businesses	(333)	(2,858)	(14,246)	(6,091)	(164)	(3,058)	(26,750)
Increases in 2011	406	6,565	50,040	1,456	642	2,698	61,807
Decreases in 2011	(448)	(2,433)	(21,831)	(592)	(167)		(25,471)
Translation differences	471	3,154	7,869	66	9	(82)	11,487
Assets classified as held for sale							0
Transfers	(1,970)	(6,204)	(16,963)	22	(24)		(25,139)
<b>Balance at 31 December 2011</b>	<b>70,983</b>	<b>252,285</b>	<b>678,416</b>	<b>37,389</b>	<b>12,623</b>	<b>25,110</b>	<b>1,076,806</b>
Business combinations							0
Sales (disposals) of businesses							0
Increases in 2012	6,583	5,410	34,708	1,864	545	236	49,346
Decreases in 2012		(128)	(4,567)	(249)	(143)		(5,087)
Translation differences	(410)	(1,484)	(3,869)	(32)	34	(8)	(5,769)
Assets classified as held for sale							0
Transfers	(3,792)	(68)	1,010	(977)			(3,827)
<b>Balance at 31 December 2012</b>	<b>73,364</b>	<b>256,015</b>	<b>705,698</b>	<b>37,995</b>	<b>13,059</b>	<b>25,338</b>	<b>1,111,469</b>

### ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES

	Land	Buildings	Plant and machinery	Other fixtures, tools and furniture	Other plant and equipment	In the course of construction	Total
<b>Balance at 31 December 2010</b>	<b>0</b>	<b>(103,510)</b>	<b>(412,641)</b>	<b>(25,706)</b>	<b>(7,610)</b>	<b>(10,614)</b>	<b>(560,081)</b>
Business combinations		(1,077)	(3,283)	(444)	(81)		(4,885)
Sales (disposals) of businesses		889	4,395	3,768	77		9,129
Increases in 2011		(9,889)	(38,284)	(2,661)	(936)		(51,770)
Decreases in 2011		1,255	15,311	925	132	39	17,662
Translation differences		(34)	(2,572)	(64)	(14)		(2,684)
Assets classified as held for sale							0
Traspasos		6,673	16,935		(25)		23,583
<b>Balance at 31 December 2011</b>	<b>0</b>	<b>(105,693)</b>	<b>(420,139)</b>	<b>(24,182)</b>	<b>(8,457)</b>	<b>(10,575)</b>	<b>(569,046)</b>
Business combinations							0
Sales (disposals) of businesses							0
Increases in 2012		(8,843)	(42,152)	(2,725)	(1,017)		(54,737)
Decreases in 2012		1,663	4,260	181	130		6,234
Translation differences		236	1,864	11	1		2,112
Assets classified as held for sale							0
Transfers			(41)	54			13
<b>Balance at 31 December 2012</b>	<b>0</b>	<b>(112,637)</b>	<b>(456,208)</b>	<b>(26,661)</b>	<b>(9,343)</b>	<b>(10,575)</b>	<b>(615,424)</b>

The Group takes out the insurance policies it considers necessary to cover the possible risks that might affect its property, plant and equipment.

The additions to “Property, Plant and Equipment in the Course of Construction” include the amounts relating to the manufacture of new product lines and, in general, to the improvement of the quality of industrial processes, products and environmental conditions.

In relation to certain investments made by various Group companies in 2012 and prior years, grants were obtained from public agencies, the amounts of which are indicated in Note 19.

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

#### **CHANGES IN 2012**

The most significant changes in “Property, Plant and Equipment” in 2012 were as follows:

- ❖ Decrease of EUR 3,657 thousand due to translation differences.
- ❖ Decrease due to the depreciation charge for the year of EUR 52,066 thousand.
- ❖ Increase due to new investments of EUR 49,346 thousand, basically in relation to the technical improvements and new fixtures at Group plants.
- ❖ In 2012 the net disposals amounted to EUR 751 thousand.
- ❖ Decrease due to the impairment losses recognised in the year amounting to EUR 2,670 thousand and an increase due to the reversal of impairment losses amounting to EUR 1,898 thousand (see Note 8.1 and 8.2).
- ❖ Decrease due to transfers to investment property for a net amount of EUR 3,792 thousand (see Note 11).

#### **CHANGES IN 2011**

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

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

The depreciation charges and/or impairment losses in consolidated profit or loss relating to these items of property, plant and equipment amounted to EUR 52,066 thousand and EUR 2,670 thousand, respectively in 2012 (2011: EUR 45,947 thousand and EUR 5,814 thousand, respectively).

Also, in relation to the sale or disposal of property, plant and equipment in 2012, in some cases, there were losses of EUR 317 thousand and, in other cases, there were gains of EUR 3,431 thousand on the sale of these assets (2011: EUR 6,608 thousand and EUR 1,827 thousand, respectively).

The impairment loss recognised in 2012 on property, plant and equipment, amounting to EUR 2,670 thousand, arose as a result of the decision to close the German rice plant. Practically all the impairment losses on the industrial assets relate to the machinery and/or other industrial equipment. At 2012 year-end the recoverable amount of the assets -measured at realisable value due to the cessation of its activity- was determined as being lower than the carrying amount.

## 11. INVESTMENT PROPERTY

The detail of the consolidated Group's investment property at 31 December 2012 and 2011, of the related accumulated depreciation and impairment losses and of the changes therein each year is as follows (in thousands of euros):

### NET VALUES

	Land	Buildings	Total
Balance at 31 December 2010	19,710	11,542	31,252
Balance at 31 December 2011	21,160	10,762	31,922
Balance at 31 December 2012	23,759	8,878	32,637

	Gross values			Accum. deprec. and impairment losses		
	Land	Buildings	Total	Land	Buildings	Total
<b>Balance at 31 December 2010</b>	<b>20,294</b>	<b>15,921</b>	<b>36,215</b>	<b>(584)</b>	<b>(4,379)</b>	<b>(4,963)</b>
Business combinations			0			0
Sales (disposals) of businesses	(122)	(1,172)	(1,294)		284	284
Increases in 2011	9		9		(19)	(19)
Decreases in 2011	(6)		(6)			0
Translation differences	116	24	140			0
Transfers	1,453	207	1,660		(104)	(104)
<b>Balance at 31 December 2011</b>	<b>21,744</b>	<b>14,980</b>	<b>36,724</b>	<b>(584)</b>	<b>(4,218)</b>	<b>(4,802)</b>
Business combinations			0			0
Sales (disposals) of businesses			0			0
Increases in 2012	4	200	204		(2,406)	(2,406)
Decreases in 2012	(548)	(315)	(863)			0
Translation differences	(30)	17	(13)		1	1
Transfers	3,173	619	3,792			0
<b>Balance at 31 December 2012</b>	<b>24,343</b>	<b>15,501</b>	<b>39,844</b>	<b>(584)</b>	<b>(6,623)</b>	<b>(7,207)</b>

The depreciation charge for 2012 amounted to EUR 68 thousand (2011: EUR 19 thousand) and impairment losses amounting to EUR 2,338 thousand (2011: EUR 0 thousand) were recognised.

The most significant changes in 2012 related to the increase for the transfer of property, plant and equipment amounting to EUR 3,792 thousand (see Note 10).

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

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

Investment property is carried at cost. The most significant investment property in terms of fair value relates to the land of old dismantled factories and certain unoccupied buildings in Spain, Portugal, and in two specific cases, in England and in the US.

The fair value represents the amount for which the assets can be exchanged on the date of the appraisal by two willing parties in an arm's length transaction, as provided for by International Valuation Standards.

To determine fair value, buildings are valued on an individual basis. The value of each one is considered separately, rather than as part of a portfolio of investment properties. Accordingly, in certain cases the values considered were those arising from the appraisals undertaken by independent valuers (updated using internal appraisals whenever necessary). In other cases the comparative method was used, which reflects market reality and the prices at which transactions relating to assets with similar characteristics are currently being closed, adjusted, where applicable, to reflect any changes in economic conditions from the date of the transactions under comparison. All of the foregoing is coordinated by the Group's Property Management Unit which, as indicated in Note 6 to the consolidated financial statements, is a specialised unit in charge of the management and control of the Group's investment property that analyses the status of the investment property and aims to reduce costs, disposing of buildings not used for industrial activities and taking the necessary measures to ensure that their value is maximised prior to their sale.

For information purposes, the fair value of the investment property is approximately EUR 93 million at 31 December 2012 (31 December 2011: EUR 104 million).

## 12. FINANCIAL ASSETS

The detail of "Financial Assets" in the consolidated balance sheets at 31 December 2012 and 2011 is as follows (in thousands of euros):

	12-31-2012			12-31-2011		
	Total	Non-current	Current	Total	Non-current	Current
<b>Held-for-trading financial assets:</b>	<b>1,028</b>	<b>1,024</b>	<b>4</b>	<b>498</b>	<b>401</b>	<b>92</b>
<b>Available-for-sale financial assets</b>	<b>29,905</b>	<b>29,905</b>	<b>0</b>	<b>45,428</b>	<b>45,428</b>	<b>0</b>
<b>Held-to-maturity investments:</b>						
Deposits and guarantees	1,351	1,075	276	1,113	1,083	30
<b>Loans and receivables:</b>						
Associates	0	0	0	0	0	0
Third parties	33,057	27,539	5,518	9,100	5,015	4,085
	<b>33,057</b>	<b>27,539</b>	<b>5,518</b>	<b>9,100</b>	<b>5,015</b>	<b>4,085</b>
<b>Total financial assets</b>	<b>65,341</b>	<b>59,543</b>	<b>5,798</b>	<b>56,139</b>	<b>51,927</b>	<b>4,207</b>

### AVAILABLE-FOR-SALE FINANCIAL ASSETS

#### 1. Investment in Deoleo Corporación, S.A.

"Available-For-Sale-Financial Assets" relates to the EUR 47,756 thousand investment in Deoleo Corporación, S.A. made in December 2010 through the subscription of 95,510,218 shares in the capital increase performed by the aforementioned company at a cost of EUR 0.5 per share, representing 9.3% of the share capital thereof. This financial asset is recognised at fair value through equity, until it is derecognised or becomes impaired, at which time the previously recognised gains or losses will be recognised in net profit or loss for the year.

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

At 31 December 2011, the fair value per the market price of this investment was EUR 41,069 thousand equal to EUR 0.43 per share, and, therefore, a net decrease in value of EUR 40,784 thousand was recognised directly in equity (a gross expense of EUR 58,262 thousand less EUR 17,478 thousand for the related tax effect).

## **2. Investment in Biosearch, S.A.**

On 13 January 2011, the Board of Directors of Ebro Foods, S.A. resolved to sell to Grupo Lactalis Iberia, S.A. 17,252,157 shares, representing 29.9% of the share capital of Biosearch, S.A. Following the disposal, the remaining investment in this company was recognised as an available-for-sale financial asset. This financial asset is recognised at fair value through equity, until it is derecognised or becomes impaired, at which time the previously recognised gains or losses will be recognised in net profit or loss for the year.

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

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

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

### Loans and receivables - third parties

The changes in the balance of "Loans and Receivables - Third Parties" at 31 December 2012 with respect to 31 December 2011 is due to the amounts received under the repayment schedule and new receivables generated in 2012. The balance receivable relates mainly to:

- ❖ The deferred amount of the Alagón land sale, in accordance with the payment agreements reached in 2009, amounting to EUR 2,366 thousand at short term, earning implicit interest at 2.5%.
- ❖ The deferred amount of the Nomen brand sale, in accordance with the payment agreements reached in 2012 (see Note 9), amounting to EUR 26,903 thousand at long term and EUR 1,699 thousand at short term. This receivable earns interest at 4.2% and final maturity is in September 2025.

Of the total balance of this line item in 2012, EUR 32,422 thousand (2011: EUR 8,469 thousand) were denominated in euros and EUR 635 thousand (2011: EUR 631 thousand) were denominated in US dollars.

In relation to the aforementioned non-current receivables, EUR 1,770 thousand will fall due in 2014, EUR 1,844 thousand in 2015, EUR 1,922 thousand in 2016, EUR 2,002 thousand in 2017, and the remaining EUR 20,001 thousand will fall due from 2018 onwards.

## 13. INVESTMENTS IN ASSOCIATES

The changes in 2012 and 2011 were as follows (in thousands of euros):

### ASSOCIATE

	Balance at 12-31-11	Increase in investments	Decrease due to sales	Dividends paid	Profit for the year	Translation differences	Other changes	Balance 12-31-12
Associate - Riviana Foods Inc.	2,740			(1,148)	1,683	(66)		3,209
Associate - Panzani in liquidation	0							0
	<b>2,740</b>	<b>0</b>	<b>0</b>	<b>(1,148)</b>	<b>1,683</b>	<b>(66)</b>	<b>0</b>	<b>3,209</b>

### ASSOCIATE

	Balance at 12-31-11	Increase in investments	Decrease due to sales	Dividends paid	Profit for the year	Translation differences	Other changes	Balance 12-31-12
Associate - Riviana Foods Inc.	3,095			(1,878)	1,455	68		2,740
Associate - Panzani in liquidation	2						(2)	0
	<b>3,097</b>	<b>0</b>	<b>0</b>	<b>(1,878)</b>	<b>1,455</b>	<b>68</b>	<b>(2)</b>	<b>2,740</b>

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

## 14. GOODWILL

The changes in 2012 and 2011 in "Goodwill" were as follows (in thousands of euros):

### SEGMENT

	Cash generating unit or groups	12-31-11	Increases	Decreases and other	Impairment loss	Translation differences	12-31-12
Herba rice	Danrice (Denmark)	14,524					14,524
Herba rice	Vogan (UK)	1,263				31	1,294
Herba rice	Riceland (Hungary)	2,126					2,126
Herba rice	Steve & Brotherton (UK)	618					618
Herba rice	Mundiriz (Morocco)	1,593			(178)	(3)	1,412
Herba rice	Suntra Group (Belgium)	11,157				(16)	11,141
Herba rice	SOS business Spain	28,390					28,390
Riviana US	Riviana Group (US)	91,948				(1,785)	90,163
Riviana US	Minute Rice (US)	142,125				(2,758)	139,367
Riviana US	ARI Group (US)	14,388				(278)	14,110
Panzani France	Panzani Group	417,449					417,449
US pasta	NWP Group	103,163				(679)	102,484
Other	Jiloca, S.A.	129					129
		<b>828,873</b>	<b>0</b>	<b>0</b>	<b>(178)</b>	<b>(5,488)</b>	<b>823,207</b>
<b>Total gross value</b>		<b>860,519</b>				<b>(5,488)</b>	<b>855,031</b>
<b>Total cumulative impairment</b>		<b>(31,646)</b>			<b>(178)</b>		<b>(31,824)</b>

### SEGMENT

	Cash generating unit or groups	12-31-11	Increases	Decreases and other	Impairment loss	Translation differences	12-31-12
Herba rice	Danrice (Denmark)	14,524					14,524
Herba rice	Vogan (UK)	1,225				38	1,263
Herba rice	Riceland (Hungary)	2,126					2,126
Herba rice	Steve & Brotherton (UK)	611				7	618
Herba rice	Mundiriz (Morocco)	1,769			(176)		1,593
Herba rice	Suntra Group (Belgium)	0	11,205			(48)	11,157
Herba rice	SOS business Spain	0	28,390				28,390
Riviana US	Riviana Group (US)	89,033				2,915	91,948
Riviana US	Minute Rice (US)	137,620				4,505	142,125
Riviana US	ARI Group (US)	0	12,633			1,755	14,388
Panzani France	Panzani Group	417,449					417,449
US pasta	NWP Group	91,105	10,668			1,390	103,163
Resto	Jiloca, S.A.	129					129
Other	P. Biotech Group	11,620		(11,620)			0
		<b>767,211</b>	<b>62,896</b>	<b>(11,620)</b>	<b>(176)</b>	<b>10,562</b>	<b>828,873</b>
<b>Total gross value</b>		<b>810,681</b>	<b>62,896</b>	<b>(23,620)</b>		<b>10,562</b>	<b>860,519</b>
<b>Total cumulative impairment</b>		<b>(43,470)</b>		<b>12,000</b>	<b>(176)</b>		<b>(31,646)</b>

In 2012 the only significant change with respect to 2011 was due mainly to the decrease arising from translation differences of US subsidiaries.

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

The goodwill arose from business combinations. On 31 December 2012 and 2011, these assets were tested for impairment (by independent valuers –American Appraisal–), and their value was allocated to the cash-generating units or groups of units shown in the preceding table.

The goodwill was tested for impairment calculating the value in use of each of the cash-generating units, by discounting the associated cash flows, generally projected over a period of five years, and the related residual value was calculated as the permanent income of the last cash flow projected using a perpetual growth rate. The projected cash flows were calculated on the basis of historical information and the best estimates of the managers of each cash-generating unit. In addition, the fair value of the cash-generating units was calculated based on an analysis of comparable market transactions.

The growth rates used to extrapolate the cash flow projections beyond the projected period and the discount rates applied to the cash flow projections for the most significant cash-generating units were as follows at 31 December 2012:

- ❖ In the European rice and pasta businesses, average discount rates of 5.4% and growth rates between 1.4% and 1.7% were used except in Hungary where, as a result of its special characteristics, a discount rate of 9.8% and a growth rate of 3% were used. In Spain a discount rate of 8.6% and a growth rate of 1.4% were used.
- ❖ In the US rice and pasta businesses, discount rates of 5.2% and growth rates of between 1% and 2.1% were used.

The most significant assumptions used to measure each cash-generating unit at 31 December 2012 relate to the average growth of sales for each projected period, the annual rate of compound growth of EBITDA, the evolution of the number of days of working capital and average annual investments based on a percentage of projected EBITDA.

It was considered that no reasonable, possible change in any of the assumptions used in calculating the recoverable amount of the cash-generating unit to which the goodwill was allocated would cause its carrying amount to exceed its recoverable amount. Accordingly, even if the discount rates used were to increase by 20% no material impairment losses would arise, and this would also apply in the event that the growth rates were to vary by 20%.

## 15. INVENTORIES

The detail of "Inventories" at 31 December 2012 and 2011 is as follows (in thousands of euros):

	12-31-12	12-31-11
Goods held for resale	15,136	19,815
Raw materials	152,705	124,723
Replacement parts and supplies	4,673	13,890
Containers	21,961	21,770
Work in progress	21,699	50,109
Finished goods	111,109	112,192
By-products and waste products	2,548	1,906
Advances to suppliers	21,457	21,577
<b>Total gross inventories</b>	<b>351,288</b>	<b>365,982</b>
Inventory write-downs	(3,981)	(3,422)
<b>Total net inventories</b>	<b>347,307</b>	<b>362,560</b>



At 2012 year-end the balance of “Advances to Suppliers” in the consolidated balance sheet included EUR 18,764 thousand (2011: EUR 19,247 thousand) relating to payments made to rice growers and there were firm paddy rice purchase agreements amounting to EUR 45,693 thousand (2011: EUR 32,452 thousand). Also, the Group in the US and France has raw material purchase commitments totalling approximately EUR 88,146 thousand (2011: EUR 117,205 thousand).

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

In 2012 the inventory write-downs recognised and reversed amounted to EUR 3,196 thousand and EUR 2,616 thousand (2011: EUR 2,387 thousand and EUR 3,721 thousand, respectively) and the translation losses to EUR 21 thousand (2010: EUR 3 thousand).

## 16. TRADE AND OTHER RECEIVABLES

The detail of “Trade and Other Receivables” at 31 December 2012 and 2011 is as follows (in thousands of euros):

	12-31-12	12-31-11
Trade receivables	317,261	336,510
Sundry accounts receivable	14,096	10,964
Write-downs	(6,009)	(7,046)
<b>Total</b>	<b>325,348</b>	<b>340,428</b>

The terms and conditions applicable to the accounts receivable from related parties are disclosed in Note 27. The trade receivables are not interest earning and generally fall due at between 30 and 85 days. The detail of the age of the trade receivables at 31 December 2012 is as follows:

AGE OF DEBT	Gross	Write-down	Net
Within 3 months	307,688	(1,324)	306,364
Between 3 to 6 months past due	5,821	(1,481)	4,340
Between 6 to 12 months past due	1,099	(661)	438
Between 12 to 18 months past due	520	(255)	265
Between 18 to 24 months past due	195	(82)	113
After 24 months	1,938	(1,908)	30
	<b>317,261</b>	<b>(5,711)</b>	<b>311,550</b>

At 31 December 2012 and 2011 no amounts in “Trade and Other Receivables” were in arrears or significantly impaired.

In 2012 the provision recognised for trade and other receivables amounted to EUR 3,642 thousand (2011: EUR 624 thousand), the amounts used in this connection amounted to EUR 5,142 thousand (2011: EUR 67 thousand), transfers from other accounts amounted to EUR 477 thousand and negative translation differences amounted to EUR 14 thousand (2011: EUR 92 thousand).

## 17. CASH AND CASH EQUIVALENTS

The detail of "Cash and Cash Equivalents" at 31 December 2012 and 2011 is as follows (in thousands of euros):

	12-31-12	12-31-11
Cash on hand and at banks	156,724	74,325
Short-term bank deposits and cash equivalents	17,016	23,545
<b>Total</b>	<b>173,740</b>	<b>97,870</b>

The cash at banks earns floating interest based on the daily interest rate for bank deposits. The maturities of the short-term deposits range from one day to three months depending on the Group's immediate liquidity needs; the deposits earn interest at the rates applied. The fair value of the cash and cash equivalents was EUR 173,740 thousand at 2011 year-end (2010 year-end: EUR 97,870 thousand). During the year the companies invested their specific cash surpluses in debt repos and other similar instruments in order to obtain returns on them. All these investments are denominated in euros, except for an amount denominated in US dollars. In 2011 these investments earned annual average interest of around 3.075% (2010: 2.60%).

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

### 18.1 SHARE CAPITAL AND RESERVES

#### Share capital

At 31 December 2012 and 2011, the share capital was represented by 153,865,392 fully subscribed and paid bearer shares of EUR 0.60 par value each traded on the Spanish Stock Exchanges.

At 31 December 2012 and 2011, the direct and indirect ownership interests in the share capital of Ebro Foods, S.A. held by shareholders owning more than 3% of the capital, is as follows, according to the information furnished to the Spanish National Securities Market Commission (CNMV) and to Ebro Foods, S.A.:

- ❖ Instituto Hispánico del Arroz, S.A.: direct holder of 13,725,601 (2011: 13,588,347) shares representing 8.921% (2011: 8.831%) and indirect holder, through Hispafoods Invest, S.L., of 10,707,282 (2011: 10,600,210) shares representing 6.959% (2011: 6.889%). In total, holder of 24,432,883 (2011: 24,188,557) shares representing 15.879% (2011: 15.721%).
- ❖ Sociedad Anónima Damm: indirect holder, through Corporación Económica Damm, S.A., of 15,000,000 (2011: 14,850,000) shares representing 9.749% (2011: 9.651%).
- ❖ Sociedad Estatal de Participaciones Industriales: indirect holder, through Alimentos y Aceites, S.A., of 15,880,688 (2011: 15,721,882) shares representing 10.321% (2011: 10.218%).
- ❖ Corporación Financiera Alba, S.A.: indirect holder, through Alba Participaciones, S.A., of 12,625,080 (2011: 12,498,830) shares representing 8.205% (2011: 8.123%).
- ❖ USB, AG.: direct holder of 4,976,689 (2011: 0) shares representing 3.234% (2011: 0%) and indirect holder, through Hispafoods Invest, S.L., of 384,832 (2011: 0) shares representing 0.250% (2011: 0%). In total, holder of 5,361,521 (2011: 0) shares representing 3.484% (2011: 0%).

### Share premium

The Consolidated Spanish Limited Liability Companies Law permits the use of the share premium account balance to increase capital and does not establish any specific restrictions as to its use. The share premium was distributed substantially in full in 2009 through the payment of an extraordinary dividend using treasury shares.

### Restricted reserves

Also, Spanish companies that report a profit for the year must transfer 10% of that net profit to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve cannot be distributed except in the event of dissolution but it can be used to offset losses, provided that sufficient other reserves are not available for this purpose, and to increase capital, provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. At 31 December 2012 and 2011, the Parent's legal reserve had reached the legally required minimum.

Noteworthy regarding the restrictions on the reserves of the subsidiaries is the existence of legal reserves of Spanish and certain foreign subsidiaries amounting to approximately EUR 18.8 million (2010: EUR 17.6 million), which are generally subject to the same restrictions as those described in the preceding paragraph on the Parent's legal reserve. The portion of these reserves that arose in the consolidation process is presented under "Retained Earnings".

The consolidated equity includes EUR 38,531 thousand in 2012 (2011: EUR 38,581 thousand) relating to Herba Foods S.L. Any distribution of these profits would be subject to income tax. In this connection, the tax point is considered to arise when the decision is taken to distribute the profits, which is not expected to occur at short or medium term.

### Translation differences - Reserve due to translation of foreign currency

The reserve for translation of foreign currency is used to record the exchange differences that arise from the translation of the financial statements of foreign subsidiaries. It is also used to recognise hedges of net investments in foreign operations.

The detail, by company, of the translation differences at 31 December 2012 and 2011 is as follows (in thousands of euros):

	12-31-12	12-31-11
Herba business companies	(3,055)	(3,880)
RIVIANA Group (US)	(21,530)	(17,544)
ARI Group (US)	7,683	9,963
NWP Group (US)	6,648	11,294
Ebro Alimentación México	(1)	0
<b>Total</b>	<b>(10,255)</b>	<b>(167)</b>

## Treasury shares

In 2012, the Parent made treasury share purchases and sales pursuant to authorisations granted by the shareholders at the Annual General Meetings held on 15 June 2011 and 29 May 2012, and, in accordance with current legislation, the Spanish National Securities Market Commission (CNMV) was notified accordingly. In 2012 409,720 shares were purchased, 2,255,161 shares sold and 1,538,653 treasury shares delivered to shareholders as dividends payable (see Note 18.3). At 31 December 2012, the Company did not have any treasury shares.

In 2011, the Parent made treasury share purchases and sales pursuant to authorisation granted by the shareholders at the Annual General Meetings held on 2 June 2010 and 15 June 2011, and, in accordance with current legislation, the Spanish National Securities Market Commission (CNMV) was notified accordingly. In 2011 4,087,972 treasury shares were acquired and 703,878 were sold. At 2011 year-end the Company held 3,384,094 treasury shares representing 2.199% of its share capital.

## 18.2 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to the ordinary shareholders of the Parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit or loss attributable to ordinary shareholders of the Parent (after deducting interests in non-cumulative redeemable and convertible preference shares -of which there were none at Ebro Foods, S.A. at 31 December 2012 and 2011) by the average number of ordinary shares outstanding in the year (plus the average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares -of which there were none at Ebro Foods, S.A. at 31 December 2012 and 2011).

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

	12-31-12	12-31-11
Net profit attributable to the ordinary shareholders of the Parent from continuing operations	158,592	151,542
Net profit attributable to the ordinary shareholders of the Parent from discontinued operations	0	0
<b>Net profit attributable to ordinary shareholders of the Parent</b>	<b>158,592</b>	<b>151,542</b>
Uninterest/Dividends on non-cumulative, convertible and redeemable preference shares	0	0
<b>Net profit attributable to ordinary shareholders of the Parent adjusted for the effect of non-cumulative, convertible and redeemable preferences shares</b>	<b>158,592</b>	<b>151,542</b>

	2012	2011
	Miles	Miles
Weighted average number of ordinary shares used for basic earnings per share (*)	151,659	152,419
<b>Effect of dilution:</b>		
Share options	0	0
Redeemable preferences shares	0	0
Weighted average number of ordinary shares adjusted for the effect of dilution	151,659	152,419

(\*) taking into account the average number of treasury shares held in the year.

There were no transactions involving ordinary shares or potential ordinary shares in the period from the date of the consolidated financial statements to the date of their authorisation for issue.

## 18.3 DIVIDENDS

Distribution of dividends approved by the shareholders at the Annual General Meeting on 29 May 2012: it was resolved to distribute a dividend payable in cash with a charge to unrestricted reserves of EUR 0.60 per share for a total of EUR 92,309 thousand, of which EUR 0.15 per share had already been paid in 2011 and EUR 0.15 per share had been paid in January, May and September 2012.

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

<b>DIVIDENDS DECLARED, PAID AND PAYABLE IN 2012</b>	<b>2012</b>	<b>2011</b>
<b>Dividends paid:</b>		
Final dividend paid for 2011: EUR 0.60 (2010: EUR 0.416)	92,319	64,008
Interim dividend paid for 2012: EUR 0.00 (2011: EUR 0.15)	(23,080)	23,080
Extraordinary dividend for 2009 paid in 2011: EUR 0.30	0	46,160
Extraordinary dividend for 2011 paid in 2012 with treasury shares	27,589	0
	<b>96,828</b>	<b>133,248</b>
<b>Proposal for approval by the shareholders (not recognised as a liability at 31 December)</b>		
Dividend payable for 2012: EUR 0.48 (2011: EUR 0.45)	73,855	69,239
Interim dividend paid for 2012: EUR 0.00 (2011: EUR 0.15)	0	23,080
	<b>73,855</b>	<b>92,319</b>

## 19. DEFERRED INCOME

This account includes essentially grants related to assets and CO<sub>2</sub> emission allowances received and other deferred income which are not significant on an individual basis. The changes in 2012 and 2011 were as follows:

	Government grants		CO <sub>2</sub> emission allowances		Other deferred income		Total	
	12-31-12	12-31-11	12-31-12	12-31-11	12-31-12	12-31-11	12-31-12	12-31-11
<b>Beginning balance</b>	<b>1,679</b>	<b>5,521</b>	<b>1,252</b>	<b>345</b>	<b>1,785</b>	<b>0</b>	<b>4,716</b>	<b>5,866</b>
Increases due to business combinations	0	0	0	0	0	1,596	0	1,596
Decrease from sale or disposal of businesses	0	(3,840)	0	0	0	0	0	(3,840)
Grants received	5	941	0	0	0	0	5	941
Increase due to CO <sub>2</sub> emission allowances	0	0	1,087	2,225	0	0	1,087	2,225
Other increases/decreases	75	0	(2,046)	(1,305)	0	69	(1,971)	(1,236)
Translation differences	1	4	7	75	(22)	163	(14)	242
To (profit) loss from continuing operations	(556)	(947)	(56)	(88)	(488)	(43)	(1,100)	(1,078)
<b>Ending balance</b>	<b>1,204</b>	<b>1,679</b>	<b>244</b>	<b>1,252</b>	<b>1,275</b>	<b>1,785</b>	<b>2,723</b>	<b>4,716</b>

“Deferred Income” at 31 December 2012 and 2011 relates to grants related to assets granted to various Group companies in relation to investments in property, plant and equipment (to date these companies have met all the terms and conditions associated with the grants), the value assigned to the CO<sub>2</sub> emission allowances received under the related national plans and other more minor items.

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

### GRANTS RELATED TO ASSETS

	Not yet taken to income			
	< 1 year	2-5 years	> 5 years	Total
Detail, by due date, of ending balance	193	949	62	1,204

## 20. PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The detail of "Provisions for Pensions and Similar Obligations" at the Group in 2012 and 2011 is as follows (in thousands of euros):

	12-31-12	12-31-11
	<b>Total</b>	<b>Total</b>
<b>Balance at 1 January</b>	<b>40,948</b>	<b>32,230</b>
Translation differences	(186)	317
Business combinations	0	502
Amounts used and payments	(9,461)	(6,741)
Transfers from other accounts	415	0
Excessive provisions and employee terminations	(174)	(57)
Period provisions for changes in actuarial calculations	5,467	8,924
Period provision to financial profit (loss)	572	682
Period provision to staff costs	7,179	5,091
<b>Balance at 31 December</b>	<b>44,760</b>	<b>40,948</b>

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

	12-31-12	12-31-11
Defined benefit obligations	27,462	27,540
Retirement bonus and other similar obligations	13,181	11,394
Incentive scheme for senior executives (Note 27.7)	4,117	2,014
<b>Total</b>	<b>44,760</b>	<b>40,948</b>

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

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

(a) Non-externalised obligations. In-house provisions and management.

(b) External management of these obligations. The administration, management and investment decisions relating to these assets are performed by an Administration Committee that is independent of Company management.

(c) In 2007 they became defined contribution obligations.

(d) In 2007 all obligations to current employees became defined contribution obligations, whereas the obligations to former employees continued to be defined benefit obligations.

Below is a description of the most significant obligations in terms of their relative importance as regards all the obligations taken as a whole and/or those which, due to their specific circumstances, should be disclosed due to their significance.

## 20.1 RETIREMENT BONUS AND OTHER SIMILAR OBLIGATIONS

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

	12-31-12	12-31-11
Ebro Foods, S.A. (EF)	177	384
Panzani France Group (Panzani)	11,673	9,911
Herba Rice Group (Herba)	777	692
BIRKEL Group	121	43
US Riviana Group (Riviana)	304	244
Other	129	120
<b>Subtotal</b>	<b>13,181</b>	<b>11,394</b>

### 20.1.1 Ebro Foods, S.A.

The balance of the account at 31 December 2012 of Ebro Foods, S.A. totalling EUR 177 thousand (31 December 2011: EUR 384 thousand) relates to the provision to meet the possible long-service bonus obligations to employees that do not have to be externalised by law. The expense for 2012 was EUR 44 thousand (2011: EUR 18 thousand). The decrease in the provision is due to the payments made in the year.

### 20.1.2 Panzani Group companies

The Panzani Group companies have obligations to employees, basically for retirement bonuses (provisions of EUR 10,713 thousand and EUR 8,739 thousand at the end of 2012 and 2011, respectively) and for long-service bonuses (provisions of EUR 960 thousand and EUR 1,172 thousand at the end of 2012 and 2011, respectively). The aforementioned provisions were recorded on the basis of in-house actuarial calculations. The related expense for 2012 was EUR 2,484 thousand (2011: EUR 1,197 thousand), of which EUR 1,870 thousand (2011: EUR 232 thousand) were charged directly to equity due to actuarial changes. These provisions are in-house provisions and are not invested in specific assets. The increase in the provision is due mainly to the impact of the 2.7% interest rate applied in 2012 (2011: 4.9%).

### 20.1.3 Herba Rice Group companies

The collective agreement applicable to the Italian and Belgian subsidiaries provides for termination obligations (voluntary or otherwise) to their employees. The related provisions were recognised on the basis of in-house actuarial calculations. At 2012 year-end the provisions amounted to EUR 573 thousand (2011 year-end: EUR 529 thousand). The related expense in 2012 was EUR 103 thousand (2011: EUR 81 thousand).

Also, certain Herba Group subsidiaries (S&B Herba in the UK, Boost in Germany, Danrice in Denmark and TBA Suntra in the UK) have defined contribution pension obligations to certain of their employees, on the basis of an annual contribution based on a percentage of their salaries. The related expense in 2012 was EUR 585 thousand (2011: EUR 551 thousand).

Lastly, pursuant to the collective agreement for the rice sector, Herba Ricemills, S.L. has retirement bonus obligations for a scanty material amount externalised through an insurance policy. The related expense for 2012 was EUR 65 thousand (2011: EUR 14 thousand) charged directly to equity due to actuarial changes.

#### 20.1.4 Birkel Group (Germany)

In addition to the defined benefit obligations discussed in the section below, the Birkel Group companies have obligations to their employees, basically in connection with retirement bonuses (provisions of EUR 121 thousand and EUR 43 thousand at the end of 2012 and 2011, respectively). The related provisions were recorded on the basis of in-house actuarial calculations. These provisions are in-house provisions and are not invested in specific assets.

#### 20.1.5 Riviana Foods, Inc. and NWP, Inc.

In addition to the defined benefit obligations discussed below, Riviana and NWP have voluntary contribution plans in place for all employees in the US. The companies contribute a total amount equal to a percentage of the contribution of the employees. The total expense relating to these plans in 2011 was EUR 1,173 thousand (2010: EUR 1,006 thousand).

### 20.2 DEFINED BENEFIT PENSION AND OTHER OBLIGATIONS

The detail, by company, is as follows:

#### DEFINED BENEFIT (THOUSANDS OF EUROS)

	12-31-12			12-31-11		
	Pension obligations	Other obligations	Total	Pension obligations	Other obligations	Total
Riviana Group (US)	12,254	(3,193)	9,061	12,284	(3,010)	9,274
NWP Group (US and Canada)	6,060	1,473	7,533	7,066	1,422	8,488
Boost (Herba) (Belgium)	309		309	172		172
Euryza (Herba) (Germany)	3,509		3,509	3,239		3,239
Lassie Group (Netherlands)	647		647	647		647
S&B Group (Herba) (UK)	4,752		4,752	3,919		3,919
Birkel Group (Germany)	1,651		1,651	1,801		1,801
	<b>29,182</b>	<b>(1,720)</b>	<b>27,462</b>	<b>29,128</b>	<b>(1,588)</b>	<b>27,540</b>

The changes in 2012 and 2011 in the obligations included in the foregoing table, broken down by geographical area (since this is the most appropriate and uniform basis for reporting obligations of this nature), were as follows:

#### (THOUSANDS OF EUROS)

	Riviana Group		NWP Group		European Subsidiaries	
	12-31-12	12-31-11	12-31-12	12-31-11	12-31-12	12-31-11
<b>Provision for pensions - obligations</b>						
Beginning balance	25,933	29,084	22,398	19,500	20,641	16,100
Business combinations	0	0	0	0	0	3,348
Period provisions	2,754	2,722	957	959	1,593	1,307
Changes in actuarial calculations	1,918	2,181	1,314	2,219	2,493	785
Payments for the year	(511)	(712)	(1,041)	(896)	(966)	(1,237)
Employee restructuring	(3,004)	(7,826)	0	0	0	29
Translation differences	(483)	484	(402)	616	265	309
<b>Balance at 31 December</b>	<b>26,607</b>	<b>25,933</b>	<b>23,226</b>	<b>22,398</b>	<b>24,026</b>	<b>20,641</b>
<b>Provision for pensions - assets invested</b>						
Value at beginning of the year	(16,660)	(23,506)	(13,908)	(12,929)	(10,863)	(8,239)
Business combinations	0	0	0	0	0	(2,846)
Return on assets	(1,087)	(1,273)	(1,629)	(941)	(632)	(599)
Contributions by the Parent	(3,309)	(2,005)	(1,504)	(1,401)	(766)	(85)
Changes in actuarial calculations	(351)	1,919	0	1,002	(1,254)	585
Payments for the year	3,515	8,550	1,023	900	529	558
Translation differences	346	(344)	325	(541)	(172)	(237)
<b>Balance at 31 December</b>	<b>(17,546)</b>	<b>(16,659)</b>	<b>(15,693)</b>	<b>(13,910)</b>	<b>(13,158)</b>	<b>(10,863)</b>
<b>Net balance at 31 December</b>	<b>9,061</b>	<b>9,274</b>	<b>7,533</b>	<b>8,488</b>	<b>10,868</b>	<b>9,778</b>
<b>Net on-balance sheet balance at 31 December</b>	<b>9,061</b>	<b>9,274</b>	<b>7,533</b>	<b>8,488</b>	<b>10,868</b>	<b>9,778</b>



## NET ANNUAL COST, BY LINE ITEM

	Riviana Group		NWP Group		European Subsidiaries	
	12-31-12	12-31-11	12-31-12	12-31-11	12-31-12	12-31-11
Annual service cost	1,654	1,486	29	23	693	453
Interest cost	1,100	1,236	929	936	900	910
Return on assets	(1,087)	(1,273)	(1,069)	(941)	(604)	(570)
Employee restructuring processes	0	0	0	0	(22)	(58)
Estimate of unrecognised losses	0	0	0	0	0	0
	<b>1,667</b>	<b>1,449</b>	<b>(111)</b>	<b>18</b>	<b>967</b>	<b>735</b>
Changes in actuarial calculations recognised directly in consolidated equity: (gain) loss	1,572	4,100	785	3,221	1,175	133

## ACTUARIAL ASSUMPTIONS

	12-31-12	12-31-11	12-31-12	12-31-11	12-31-12	12-31-11
Discount rate	3.93%	4.50%	3.75%	4.25%	3.2% al 4.1%	4.6 al 6.0%
Salary performance	3.00%	3.50%	0.00%	0.00%	1.2% al 3.0%	1.8% al 3.0%
Return on assets	7.50%	7.50%	7.50%	7.50%	3.2% al 5.7%	4.5% al 6.0%

In general, the obligations relate to pension plans for most of the employees of the Riviana and NWP Groups and for certain employees of European subsidiaries. At the S&B Group, these obligations currently relate solely to former employees (since the obligations to current employees were transferred to defined contribution schemes on 1 January 2006). Since February 2006 no new employees have been included in this defined benefit scheme at the Riviana Group. At the Canadian subsidiary of the NWP Group the pension plan has been settled through the payment of the amounts vested by the employees up to 31 December 2009.

Also, at the Riviana and NWP Groups, the other obligations relate to healthcare cover, medicines and life insurance for only a portion of the employees.

## 21. OTHER PROVISIONS

The changes in "Other Provisions" in 2012 and 2011 were as follows (in thousands of euros):

### CHANGES IN OTHER PROVISIONS

	12-31-12	12-31-11
	Total	Total
Beginning balance	49,067	87,591
Translation differences	(14)	(61)
Business combinations	0	0
Transfers	0	(1,533)
Amounts used and payments	(18,166)	(27,864)
Other period provisions	14,019	9,356
Period provision charged to income for CO <sub>2</sub> allowances	57	88
Provisions reversed with a credit to income	(23,037)	(17,804)
Disposals or sales of businesses (Biosearch in 2011 / Dairy products in 2010)	0	(706)
<b>Ending balance</b>	<b>21,926</b>	<b>49,067</b>

The provisions, by company or segment, are summarised as follows (in thousands of euros):

#### SUMMARY, BY LINE ITEM, OF OTHER PROVISIONS

	12-31-12	12-31-11
Provision for the outcome of litigation relating to the sale of the sugar business	8,828	8,544
Provision for the outcome of litigation relating to the sale of the dairy product business	0	28,825
Other litigation and disputes	5,553	6,569
Modernisation and restructuring plan	6,771	4,044
CO <sub>2</sub> allowances	145	88
Other sundry, non-significant contingencies	629	997
	<b>21,926</b>	<b>49,067</b>

#### DETAIL, BY COMPANY, OF OTHER PROVISIONS

	12-31-12	12-31-11
Ebro Foods, S.A.	8,828	37,369
Panzani Group	5,050	5,437
Herba Group	6,663	2,946
Riviana Group	380	621
Birkel Group	447	2,400
Other	558	294
<b>Total continuing operations</b>	<b>21,926</b>	<b>49,067</b>

#### 21.1 PROVISION FOR THE OUTCOME OF LITIGATION RELATING TO THE SALE OF THE SUGAR BUSINESS

At 31 December 2012, this heading included a provision of EUR 8,828 thousand (2011: EUR 8,544 thousand) to cover the buyer in the sale in 2009 of the sugar business from the litigation in progress relating to Azucarera Ebro, S.L.

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

Developments in 2012: there were no significant changes in these provisions with respect to 2011.

#### 21.2 PROVISION FOR THE OUTCOME OF LITIGATION RELATING TO THE SALE OF THE DAIRY PRODUCT BUSINESS

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

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

In relation to this litigation, in 2012 the payment obligations arising from the final outcome of the most significant litigation concerning the dairy product business were recognised (no other significant litigation remained pending). The consequence of the negotiated settlement of this litigation gave rise to the payment of EUR 7,891 thousand, including fees, penalties and court costs and, accordingly, the remainder of the provision amounting to EUR 20,934 thousand was reversed under "Other Operating Income" in the consolidated income statement for 2012 (see Note 8.1).

### 21.3 SUMMARY OF THE STATUS OF OTHER LITIGATION AND DISPUTES

In addition to the litigation discussed in Notes 21.1 and 21.2 above, at 31 December 2012 provisions had been recognised for other litigation and disputes amounting to EUR 5,553 thousand (31 December 2011: EUR 6,569 thousand).

These provisions recognised for other litigation and disputes related to court proceedings in progress and other claims. The Parent's directors and internal and external legal advisers do not expect any additional material liabilities to arise in connection with the final outcome of these court proceedings and claims.

The detail of the maximum liability arising from the aforementioned litigation (both that indicated in Note 21.1, 21.2 and that indicated in Note 21.3) is as follows (in thousands of euros):

	12-31-12	12-31-11
Various contested tax and customs assessments	8,232	38,274
Judicial review contingencies	8,796	8,920
	<b>17,028</b>	<b>47,194</b>

The most significant litigation is described below:

#### 1. Judicial review processes:

- 1.1 An income tax assessment was signed on a contested basis as a result of the increase in the tax base due to alleged sugar sales in 1999. Tax deficiency: EUR 3,611 thousand. Unfavourable judgement of the National Appellate Court. A cassation appeal has been filed at the Supreme Court. Amount provisioned. Classification for accounting purposes: probable.
- 1.2 The penalty arising from the assessment referred to in point 1.1. amounts to EUR 2,076 thousand. Unfavourable judgement of the National Appellate Court. A cassation appeal has been filed at the Supreme Court. Amount provisioned. Classification for accounting purposes: probable.

#### 2. Civil proceedings:

- 2.1 Court claim filed by several sugar business customers for alleged damage and losses arising from industrial sugar price rigging in 1995 and 1996 declared by the Spanish Competition Agency in its resolution of 15 April 1999. Amount: EUR 4,105 thousand. The decision handed down at first instance upheld half of the claim. The two companies filed appeals against this decision and on 3 October 2011 the Madrid Provincial Appellate Court upheld the claim of Ebro Foods, dismissing the claim of the other party, which announced that it would be filing a cassation appeal at the Supreme Court. Amount not provisioned. Classification for accounting purposes: possible.

**2.2** Azucarera Energías, S.A. filed a claim for EUR 5,969 thousand against Azucarera Ebro, S.L. due to the unilateral termination of the supply agreement, which bound the two companies, in relation to the Rinconada combined heat and power plant (Seville). Ebro Foods, S.A. may be deemed liable to the acquirer of Azucarera Ebro for the consequences for the latter arising from the claim. On 10 December 2012, the Court of First Instance no. 84 of Madrid fully dismissed the claim and sentenced the claimant to pay the related costs. Azucarera Energías, S.A. filed an appeal against this judgment. Amount not provisioned. Classification for accounting purposes: possible.

A lawsuit, the outcome of which could be favourable for Ebro Foods, S.A., with respect to the agreements reached with ABF on the sale of the sugar business in 2009, concerns several claims for amounts unduly paid over to the Spanish Treasury (EUR 6,415 thousand, of which 60% relates to growers and the remaining 40% to the Parent) in relation to the sugar-production levy for the marketing years 2002/2003 to 2005/2006. These claims were brought on the basis of judgments issued by the Court of Justice of the European Union which rendered null and void the regulations that set the rates for the collection of this agricultural tax. The Provincial Customs and Excise Office agreed to the reimbursement of only EUR 350 thousand and, therefore, the Parent filed the aforementioned claims and submitted an application for a preliminary ruling to the Court of Justice of the European Union. In 2012 the Court of Justice in Luxembourg handed down a new judgment favourable to the interests of the sugar companies, which should positively affect the outcome of the claims filed by Azucarera Ebro.

## 22. FINANCIAL LIABILITIES

The detail of "Financial Liabilities" is as follows (in thousands of euros):

### FINANCIAL LIABILITIES

	12-31-12		12-31-11	
	Non-current	Current	Non-current	Current
Bank borrowings	172,821	65,469	271,289	95,263
Bank credit facilities		170,096		113,721
Other financial liabilities	9,974	0	8,611	185
Payable to associates	0	0	0	0
Guarantees and deposits received (financial)	65	2	80	2
<b>Total financial liabilities</b>	<b>182,860</b>	<b>235,567</b>	<b>279,980</b>	<b>209,171</b>

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

### DETAIL, BY SEGMENT OR COMPANY, OF BANK BORROWINGS

	12-31-11	12-31-12	2014	2015	2016	2017	Subsequent years
Ebro Foods, S.A	231,957	171,778	27,894	71,942	71,942		
Riviana Group (US)	38,027	0					
Herba Rice Group	841	628	199	124	78	82	145
Panzani France Group	38	25	13	12			
Arotz Foods, S.A.	426	378	48	48	48	48	186
Jiloca, S.A.	0	12	12				
<b>Non-current bank borrowings</b>	<b>271,289</b>	<b>172,821</b>	<b>28,166</b>	<b>72,126</b>	<b>72,068</b>	<b>130</b>	<b>331</b>
Ebro Puleva, S.A	58,022	89,600					
Panzani France Group	33,875	35,452					
Herba Rice Group	40,291	31,416					
Riviana Group (US)	38,143	37,338					
NWP Group	38,645	41,685					
Other companies	8	74					
<b>Current bank borrowings</b>	<b>208,984</b>	<b>235,565</b>					
<b>Total bank borrowings</b>	<b>480,273</b>	<b>408,386</b>					

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

<b>CURRENCY</b>	<b>12-31-12</b>	<b>12-31-11</b>
Euro	97,531	74,425
US dollar	307,027	404,423
Egyptian pound	3,020	333
Thai baht	436	481
Hungarian forint	372	611
<b>Total</b>	<b>408,386</b>	<b>480,273</b>

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

- ❖ A syndicated loan agreement entered into in May 2005, novated in November 2006, April 2009 and August 2010, amounting to USD 110.5 million at 31 December 2012 (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 bank loans also include the loan obtained by the Riviana Group in May 2007 to replace the bridge loan arranged in October 2006 for an initial amount of USD 246 million less USD 24.6 million repaid early in May 2009. This loan was granted for the acquisition of the Minute Rice trademark and bears interest at LIBOR plus a market spread. This loan is being repaid over five years in ten equal half-yearly instalments, the first of which was paid in November 2007 and the last to be paid in November 2013. It is guaranteed by the other US subsidiary NWP Inc.

In relation to the other bank borrowings, at 31 December 2012 the various Group companies had arranged unsecured credit facilities with banks with a total limit of around EUR 309 million (31 December 2011: EUR 342 million), against which a total of EUR 142 million had been drawn down at 31 December 2011 (31 December 2011: EUR 114 million). The credit facilities of the Panzani Group, with a limit of EUR 90 million in 2011 (2010: EUR 90 million) are secured by collection rights.

At 31 December 2012 and 2011, there were also note and bill discounting facilities, issues of guarantees and other bank guarantees, the detail being as follows:

#### FINANCING ARRANGEMENTS

At 31 December 2012	Amount drawn down	Amount drawable	Total limit
Draft discounting lines	12	4,000	4,012
Bank guarantee facilities	30,928	94,875	125,803
<b>Total consolidated Group</b>	<b>30,940</b>	<b>98,875</b>	<b>129,815</b>

#### FINANCING ARRANGEMENTS

At 31 December 2011	Amount drawn down	Amount drawable	Total limit
Draft discounting lines	8	3,000	3,008
Bank guarantee facilities	52,630	89,740	142,370
<b>Total consolidated Group</b>	<b>52,638</b>	<b>92,740</b>	<b>145,378</b>

The average annual interest rate on the short-term loans in 2012 was 3.0% (2011: 2.8%).

Certain ratios over the term of the long-term loans of Ebro Foods, S.A. and the loan of the Riviana Group, based on the consolidated financial statements of the Ebro Foods Group or the aggregate of Riviana/NWP, respectively, must be achieved at all times. The failure to achieve these ratios would increase borrowing costs and, depending on the cases, lead to a situation that could trigger the early repayment of the loans. At 31 December 2012 and 2011, all the main ratios were being adequately achieved.

## 23. OTHER NON-FINANCIAL PAYABLES

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

## 24. TRADE AND OTHER PAYABLES

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

	12-31-12	12-31-11
Trade payables	234,079	249,665
Other payables	23,701	18,562
Remuneration payable	33,587	36,620
<b>Total</b>	<b>291,367</b>	<b>304,847</b>

Trade payables do not bear interest and, in general, fall due at between 60 and 80 days. The other payables are also non-interest bearing, with average maturity of three months. They relate mainly to payables on purchases of property, plant and equipment, trade discounts and rebates and commercial media and marketing payables.

**Disclosures on the payment periods to suppliers. “Disclosure obligation” provided for in Law 15/2010, of 5 July.**

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

**AMOUNTS PAID AND PAYABLE AT THE BALANCE SHEET DATE**

	12-31-12		12-31-11	
	Amount	%*	Amount	%*
Paid in the maximum payment period (**)	277,122	95,10%	284,502	95,85%
Remainder	14,276	4,90%	12,303	4,15%
<b>Total payments made in the year</b>	<b>291,398</b>	<b>100,00%</b>	<b>296,805</b>	<b>100,00%</b>
Weighted average period of late payment (days)	39,8		36,3	
Payments at year-end not made in the maximum payment period	769		1,080	

\* Percentage of total

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

## 25. TAX MATTERS

The detail of the tax receivables and payables at 31 December 2012 and 2011 is as follows (in thousands of euros):

	Receivables		Payables	
	12-31-12	12-31-11	12-31-12	12-31-11
VAT and Personal income tax withholdings	23,078	28,964	(8,841)	(8,154)
Accrued social security taxes	27	29	(1,358)	(1,376)
Grants receivable	693	1,430		
Other	97	73	(4,209)	(4,940)
<b>Total tax receivables and payables</b>	<b>23,895</b>	<b>30,496</b>	<b>(14,408)</b>	<b>(14,470)</b>
<b>Net income tax payable</b>	<b>7,958</b>	<b>10,644</b>	<b>(8,643)</b>	<b>(7,306)</b>

Certain companies in the consolidated Group file consolidated tax returns on the basis of the applicable tax and other legislation in each country. The companies that file tax returns in this way are: most of the Spanish companies (Spanish tax group), the Riviana Group (US), the French Panzani Group and, from 2012 onwards, the Group companies in Germany.

Also, income tax rates vary from one country to another and include most notably due to their relative importance: 30% in Spain, 36.10% in France, 37.5% in the US, 30% in Germany and 25.5% in the Netherlands. The specific line item called “Effect of Different Tax Rates (Tax Base)” in the table below shows the effects of the differences in the tax rates in each country with respect to 30%.

The detail of the tax payable by the consolidated Group for accounting purposes for the years ended 31 December 2012 and 2011 is as follows (in thousands of euros):

## INCOME STATEMENT - INCOME TAX

	12-31-12	12-31-11
Current tax expense of continuing operations	55,354	34,766
Current tax expenses on sale of discontinued operations	0	0
Total deferred tax expense	30,723	22,284
Deferred tax expense in equity	1,341	(21,502)
Adjustment of prior year's tax	(694)	(3,720)
Adjustment of net deferred tax liability	(1,881)	(98)
Equivalent tax charges	8,425	13,771
Tax assessments and penalties	(635)	1,539
	<b>92,633</b>	<b>47,040</b>

## INCOME TAX EXPENSE RECOGNISED DIRECTLY IN EQUITY

	12-31-12	12-31-11
Expense of changes in share capital of subsidiaries	0	0
Change in fair value of financial assets	3,257	(18,410)
Change in actuarial gains and losses	(1,916)	(3,092)
	<b>1,341</b>	<b>(21,502)</b>

	12-31-12		12-31-11	
	Accounting	Tax	Accounting	Tax
<b>Profit before tax from continuing operations</b>	<b>247,901</b>	<b>247,901</b>	<b>222,393</b>	<b>222,393</b>
<b>Profit/Loss before tax on sale of discontinued operations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Profit (loss) before tax recognised in equity</b>	<b>5,390</b>	<b>5,390</b>	<b>(70,289)</b>	<b>(70,289)</b>
<b>Foreign currency hedges recognised in translation differences</b>	<b>6,141</b>	<b>6,141</b>	<b>(7,360)</b>	<b>(7,360)</b>
	<b>259,432</b>	<b>259,432</b>	<b>144,744</b>	<b>144,744</b>
Permanent differences	(6,696)	(6,696)	(9,746)	(9,746)
Tax loss carryforwards for the year	14,400	14,400	6,097	6,097
Offset of tax loss carryforwards of individual companies	(3,463)	(3,463)	(270)	(270)
<b>Adjusted accounting profit</b>	<b>263,673</b>	<b>263,673</b>	<b>140,825</b>	<b>140,825</b>
Temporary differences		(98,667)		20,342
Tax losses for the year		1,719		0
Offset of tax loss carryforwards		(1,581)		(668)
<b>Adjusted tax profit</b>	<b>263,673</b>	<b>165,144</b>	<b>140,825</b>	<b>160,499</b>
Effect of different tax rates (Base)	30,400	22,049	24,742	17,301
<b>Taxable profit for the Economic Group</b>	<b>294,073</b>	<b>187,193</b>	<b>165,567</b>	<b>177,800</b>
Tax charge at 30%	88,222	56,158	49,670	53,340
Tax credits taken	(804)	(804)	(14,122)	(18,574)
<b>Net income tax payable</b>	<b>87,418</b>	<b>55,354</b>	<b>35,548</b>	<b>34,766</b>
Adjustment of prior year's income tax	(694)		(3,720)	
Adjustment of net deferred tax liability	(1,881)		(98)	
Tax assessments and penalties	(635)		1,539	
Equivalent tax charges	8,425	7,102	13,771	10,671
Adjustment of prior year tax payable		(2,747)		(4,015)
<b>Total income tax expense</b>	<b>92,633</b>	<b>59,709</b>	<b>47,040</b>	<b>41,422</b>
Income tax expense of continuing operations	89,450		70,750	
Income tax expense on sale of discontinued operations	0		0	
Income tax expense recognised in equity	1,341		(21,502)	
Income tax expense recognised in translation differences	1,842		(2,208)	
	<b>92,633</b>		<b>47,040</b>	

“Foreign Currency Hedges Recognised in Translation Differences” relates to the effect of the exchange differences recognised directly in translation differences due to the natural hedging of the US dollar loan in relation to the investments in Riviana and NWP.

The total expense for tax purposes less withholdings and prepayments in 2012 resulted in income tax payable (net tax payable).



The companies' temporary differences in 2012 and 2011 were as follows:

- ❖ Net decrease of EUR 6,141 thousand (2011: increase of EUR 7,360 thousand) as a result of the net exchange differences on the hedging of the US dollar loans.
- ❖ Decrease of EUR 5,520 thousand (2011: increase of EUR 70,398 thousand) due to the effect of the recognition at fair value of the available-for-sale financial assets and to the actuarial changes in the pension obligations, recognised directly in equity.
- ❖ Decrease of EUR 12,228 thousand (2011: EUR 22,302 thousand) due to the temporary differences of NWP relating basically to the amortisation of trademarks and the depreciation and amortisation of other assets for tax purposes, and temporary differences arising from the recognition for accounting and tax purposes of provisions and accrual accounts.
- ❖ Decrease of EUR 20,379 thousand (2011: EUR 33,898 thousand) due to the temporary differences of Riviana relating basically to the amortisation of trademarks and the depreciation and amortisation of other assets for tax purposes.
- ❖ Decrease of EUR 4,667 thousand (2011: EUR 5,753 thousand) due to the amortisation for tax purposes of the goodwill arising from acquisitions of foreign operations.
- ❖ Decrease of EUR 16,363 thousand due to the temporary differences of the Herba Group relating basically to the amortisation of trademarks and the depreciation and amortisation of other assets for tax purposes, accelerated depreciation and amortisation in Spain and temporary differences arising from the recognition for accounting and tax purposes of provisions.
- ❖ Decrease of EUR 26,344 thousand due to the non-computable gains which in 2012 related to the gains obtained on the sale of several trademarks (see Note 9). In Spain, pursuant to Additional Provision Four of the Consolidated Spanish Corporation Tax Law, approved by Legislative Royal Decree 4/2004, of 5 March, the income obtained from the transfer of the assets and liabilities performed in accordance with antitrust legislation is not included in the tax base if the amount obtained in the transfer is reinvested in a period of three years from the date of sale in the terms and conditions set forth in Article 42 of the aforementioned Law. The total reinvestment obligation amounts to EUR 32.5 million.
- ❖ Decrease of EUR 7,025 thousand (2011: increase of EUR 4,537 thousand), principally due to transactions of other companies with positive or negative tax effects arising from provisions reversed and/or recognised in the year, to the recognition and/or reversal of impairment losses on non-current and financial assets and to provisions for other contingencies that were or were not deductible for tax purposes in the year.

The companies' permanent differences relate basically to the amounts of equivalent taxes that are not included in the calculation of income tax, to tax expenses that were not reversed, to the application for tax purposes of losses on non-current financial assets and to the reversal of certain provisions that were not deductible for tax purposes when they were recognised in prior years.

The tax credits relate mainly to tax credits for new product development and innovation expenditure, for patronage, double taxation tax credits and the reinvestment of income from non-current asset sales. The amount of reinvestments made by the Spanish tax group that could entitle it to take tax credits for the reinvestment of income in 2012 was EUR 5.0 million (2011: EUR 115.3 million) (EUR 57.3 million, EUR 1.5 million, EUR 16.2 million, EUR 11.2 million and EUR 76.3 million, in the period from 2010 to 2006, respectively. These amounts were reinvested by the tax group in each of the aforementioned years). Also, the other requirements to be able to take these tax credits for tax purposes were met.

In addition, at 31 December 2012, there were unused reinvestment tax credits amounting to EUR 32.5 million, which are conditional upon reinvestment by the Spanish tax group of EUR 500 million (within a time frame that ends in August 2013).

The detail of the deferred taxes for the years ended 31 December 2012 and 2011 is as follows (in thousands of euros):

	12-31-12		12-31-11	
	Assets	Liabilities	Assets	Liabilities
<b>Balance at 1 January</b>	<b>55,582</b>	<b>(201,918)</b>	<b>64,154</b>	<b>(193,755)</b>
Transfers of balances	(138)	(1,693)	260	(72)
Translation differences	(314)	2,165	74	(4,213)
Business combinations	0	0	3,048	(8,946)
Disposals due to sale or exclusion of businesses	0	0	(3,345)	0
Earned / applied in income	(3,415)	(26,019)	(8,471)	(12,688)
Earned /applied in equity	1,215	(2,556)	1,521	19,981
Adjustments	94	22	(1,659)	(2,225)
Change in deferred tax provision	0	0	0	0
<b>Balance at 31 December</b>	<b>53,024</b>	<b>(229,999)</b>	<b>55,582</b>	<b>(201,918)</b>

The detail, by most significant line item, of the deferred taxes at 31 December 2012 and 2011 is as follows:

	12-31-12		12-31-11	
	Deferred tax		Deferred tax	
	Assets	Liabilities	Assets	Liabilities
Property, plant and equipment	5,690	(71,466)	6,592	(68,074)
Investment property	4,189	(606)	6,329	(613)
Goodwill	4,696	(33,643)	7,279	(34,469)
Other intangible assets	4,044	(103,070)	3,323	(88,012)
Inventories	1,885	(2,055)	1,989	(2,394)
Accounts receivable and prepayments and accrued income	466	(541)	837	(55)
Pensions and similar obligations	6,042	(326)	3,503	5,091
Other provisions (long-term)	5,932	(854)	7,505	(396)
Accounts payable and accruals and deferred income	11,939	0	11,064	(1,235)
Tax credits and tax loss carryforwards	7,835	2,483	7,153	3,181
Accrual of tax benefits	0	(13,603)	0	(13,711)
Adjustments to value of available-for-sale financial assets	306	(306)	0	2,938
Provisions and gains of tax group investments	0	(6,012)	8	(4,169)
<b>Total</b>	<b>53,024</b>	<b>(229,999)</b>	<b>55,582</b>	<b>(201,918)</b>

Regarding to the aforementioned tax loss carryforwards of the Group companies, at 31 December 2012 there were tax loss carryforwards available for offset over the coming 15 years amounting to EUR 40 million (31 December 2011: EUR 30 million).

In May 2011, the Spanish tax group received notification from the tax authorities of the commencement of a tax review for 2004 to 2007, inclusive. The tax audit concluded with the issue of tax assessments, which were signed on an uncontested basis at the beginning of March 2012, giving rise to payment of EUR 2,047 thousand.

Also, the Spanish tax group has all years since 2008 open for review by the tax authorities for all the taxes applicable in those years. The other Group companies have the taxes and years open for review pursuant to the applicable local legislation and that have not previously been subject to tax audit, in most cases being the years since 2008.

## 26. OBLIGATIONS AND CONTINGENCIES

### Obligations under operating leases - Group as lessee

The Group holds certain vehicles, machinery, warehouses and offices under operating leases. These operating leases have an average term of between three and five years, without any renewal clauses in the leases, except for the concession agreement for the land of one of the plants in the US which is for a renewable term of 20 years. There are no restrictions on the lessee with respect to the arrangement of these leases. The detail of the future minimum lease payments under non-cancellable operating leases at 31 December 2011 and 2010 is as follows (in thousands of euros):

	12-31-12	12-31-11
Within one year	9,352	8,411
Between one and five years	22,183	15,323
After five years	8,870	5,863
<b>Total</b>	<b>40,405</b>	<b>29,597</b>

### Obligations under operating leases - Group as lessor

The Group has leased out various buildings within its investment property portfolio. These non-cancellable leases have residual terms of between three and five years. All the leases include a clause to increase the lease payments annually, based on prevailing market conditions. The detail of the future minimum lease payments receivable under non-cancellable operating leases at 31 December 2011 and 2010 is as follows (in thousands of euros):

	12-31-12	12-31-11
Within one year	912	797
Between one and five years	2,049	894
After five years	591	1
<b>Total</b>	<b>3,552</b>	<b>1,692</b>

### Non-current asset investment and divestment commitments

At 31 December 2012, the Group had investment commitments for acquisitions and renewals of machinery amounting to EUR 15,100 thousand (31 December 2011: EUR 6,825 thousand).

### Commitments relating to inventories

See information disclosed in Note 15.

### Legal proceedings and guarantees relating to disputes

See information disclosed in Note 21.

## Guarantees

At the end of 2012 and 2011 the following bank guarantees had been provided:

	12-31-12	12-31-11
From banks: Provided to courts and agencies in relation to economic-administrative claims and tax deferral (Note 21)	4,872	19,256
From banks: provided to the Spanish Agricultural Guarantee Fund (FEGA), customs and third parties to guarantee fulfilment of obligations in ordinary business operations	20,050	33,374
Provided to banks to guarantee fulfilment of obligations in business operations of other associates or non-Group companies	6,296	419
<b>Total</b>	<b>31,218</b>	<b>53,049</b>

Lastly, the credit facilities granted to the Panzani Group with a limit of EUR 90 million in 2011 (2010: EUR 90 million) are secured by collection rights.

## 27. RELATED PARTY TRANSACTIONS

The sales to and purchases from related parties were performed on an arm's length basis. At year-end the balances relating to commercial transactions are not secured, are not interest bearing and are settled in cash.

During the years ended 31 December 2012 and 2011 the Group did not recognise any allowances for doubtful debts from related parties. The need for allowances is assessed each year on the basis of an examination of the financial position of the related party and of the market in which it operates.

### 27.1 RELATED-PARTY TRANSACTIONS WITH SIGNIFICANT SHAREHOLDERS (OR PARTIES RELATED TO THEM) OF EBRO FOODS, S.A., EXCLUDING DIRECTORS

Note 18.1 lists the companies that have a significant ownership interest in the share capital of Ebro Foods, S.A. (Parent of the Ebro Foods Group).

The transactions, excluding dividends, of any Ebro Foods Group company with these significant shareholders (unless they are directors, in which case they are reflected in Note 27.2) are summarised as follows (in thousands of euros):

#### SIGNIFICANT SHAREHOLDER

	Ebro Foods Group Company	Type of transaction	Total 2012	Total 2011
Sociedad Anónima DAMM (Estrella de Levante, S.A.)	Herba Ricemills, S.L.U.	Sales of goods (finished goods or work in progress)	1,195	1,072
Sociedad Anónima DAMM (Cía Cervecera Damm S.A.)	Herba Ricemills, S.L.U.	Sales of goods (finished goods or work in progress)	3,701	3,377

## 27.2 RELATED-PARTY TRANSACTIONS WITH DIRECTORS AND EXECUTIVES (OR PARTIES RELATED TO THEM) OF EBRO FOODS, S.A.

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

### DIRECTORS

	Ebro Foods Group Company	Type of transaction	Total 2012	Total 2011
Instituto Hispánico del Arroz, S.A.	Herba Ricemills, S.L.U.	Sales of goods (finished goods or work in progress)	488	315
Instituto Hispánico del Arroz, S.A.	Boost Nutrition, C.V.	Sales of goods (finished goods or work in progress)	53	0
Instituto Hispánico del Arroz, S.A.	S&B Herba Foods, Ltd.	Sales of goods (finished goods or work in progress)	4	38
Instituto Hispánico del Arroz, S.A.	Euryza, GmbH	Sales of goods (finished goods or work in progress)	0	24
Instituto Hispánico del Arroz, S.A.	Herba Ricemills, S.L.U.	Purchases of goods (finished goods or work in progress)	7,401	5,169
Instituto Hispánico del Arroz, S.A.	Boost Nutrition, C.V.	Purchases of goods (finished goods or work in progress)	74	0
Instituto Hispánico del Arroz, S.A.	Euryza, GmbH	Purchases of goods (finished goods or work in progress)	0	24
Instituto Hispánico del Arroz, S.A.	S&B Herba Foods, Ltd.	Purchases of goods (finished goods or work in progress)	408	85
Instituto Hispánico del Arroz, S.A.	TBA Suntra UK, Ltd.	Purchases of goods (finished goods or work in progress)	0	170
Instituto Hispánico del Arroz, S.A.	Herba Ricemills, S.L.U.	Rendering of services	1	1
Instituto Hispánico del Arroz, S.A.	Herba Ricemills, S.L.U.	Lease (expense)	49	150
Instituto Hispánico del Arroz, S.A.	Herba Ricemills, S.L.U.	Services received	123	0
Instituto Hispánico del Arroz, S.A.	Herba Foods, S,L,U	Services received	50	50
Instituto Hispánico del Arroz, S.A. (Dehesa Norte, S.A.)	Herba Ricemills, S.L.U.	Sales of goods (finished goods or work in progress)	423	291
Instituto Hispánico del Arroz, S.A. (Dehesa Norte, S.A.)	Boost Nutrition, C.V.	Sales of goods (finished goods or work in progress)	49	0
Instituto Hispánico del Arroz, S.A. (Dehesa Norte, S.A.)	S&B Herba Foods, Ltd.	Sales of goods (finished goods or work in progress)	4	95
Instituto Hispánico del Arroz, S.A. (Dehesa Norte, S.A.)	Herba Ricemills, S.L.U.	Purchases of goods (finished goods or work in progress)	73	75
Instituto Hispánico del Arroz, S.A. (Dehesa Norte, S.A.)	Boost Nutrition, C.V.	Purchases of goods (finished goods or work in progress)	71	0
Instituto Hispánico del Arroz, S.A. (Dehesa Norte, S.A.)	S&B Herba Foods, Ltd.	Purchases of goods (finished goods or work in progress)	212	142
Instituto Hispánico del Arroz, S.A. (Dehesa Norte, S.A.)	TBA Suntra UK, Ltd.	Purchases of goods (finished goods or work in progress)	0	170
Instituto Hispánico del Arroz, S.A. (Dehesa Norte, S.A.)	TBA Suntra BV	Purchases of goods (finished goods or work in progress)	106	0
Instituto Hispánico del Arroz, S.A. (Dehesa Norte, S.A.)	Herba Ricemills, S.L.U.	Rendering of services	0	6
Instituto Hispánico del Arroz, S.A. (Islasur, S.A.)	Herba Ricemills, S.L.U.	Sales of goods (finished goods or work in progress)	271	353
Instituto Hispánico del Arroz, S.A. (Islasur, S.A.)	Boost Nutrition, C.V.	Sales of goods (finished goods or work in progress)	264	0
Instituto Hispánico del Arroz, S.A. (Islasur, S.A.)	S&B Herba Foods, Ltd.	Sales of goods (finished goods or work in progress)	1	147
Instituto Hispánico del Arroz, S.A. (Islasur, S.A.)	TBA Suntra UK, Ltd.	Sales of goods (finished goods or work in progress)	3	0
Instituto Hispánico del Arroz, S.A. (Islasur, S.A.)	Herba Ricemills, S.L.U.	Purchases of goods (finished goods or work in progress)	73	153
Instituto Hispánico del Arroz, S.A. (Islasur, S.A.)	Boost Nutrition, C.V.	Purchases of goods (finished goods or work in progress)	265	0

**DIRECTORS**

	<b>Ebro Foods Group Company</b>	<b>Type of transaction</b>	<b>Total 2012</b>	<b>Total 2011</b>
Instituto Hispánico del Arroz, S.A. (Islasur, S.A.)	S&B Herba Foods, Ltd.	Purchases of goods (finished goods or work in progress)	183	194
Instituto Hispánico del Arroz, S.A. (Islasur, S.A.)	TBA Suntra UK, Ltd.	Purchases of goods (finished goods or work in progress)	25	170
Instituto Hispánico del Arroz, S.A. (Australian Commodities, S.A.)	Herba Ricemills, S.L.U.	Sales of goods (finished goods or work in progress)	270	364
Instituto Hispánico del Arroz, S.A. (Australian Commodities, S.A.)	Boost Nutrition, C.V.	Sales of goods (finished goods or work in progress)	219	0
Instituto Hispánico del Arroz, S.A. (Australian Commodities, S.A.)	S&B Herba Foods, Ltd.	Sales of goods (finished goods or work in progress)	4	103
Instituto Hispánico del Arroz, S.A. (Australian Commodities, S.A.)	Euryza, GmbH	Sales of goods (finished goods or work in progress)	0	51
Instituto Hispánico del Arroz, S.A. (Australian Commodities, S.A.)	Herba Ricemills, S.L.U.	Purchases of goods (finished goods or work in progress)	123	149
Instituto Hispánico del Arroz, S.A. (Australian Commodities, S.A.)	Boost Nutrition, C.V.	Purchases of goods (finished goods or work in progress)	219	0
Instituto Hispánico del Arroz, S.A. (Australian Commodities, S.A.)	S&B Herba Foods, Ltd.	Purchases of goods (finished goods or work in progress)	73	151
Instituto Hispánico del Arroz, S.A. (Australian Commodities, S.A.)	Euryza, GmbH	Purchases of goods (finished goods or work in progress)	0	51
Instituto Hispánico del Arroz, S.A. (Australian Commodities, S.A.)	TBA Suntra UK, Ltd.	Purchases of goods (finished goods or work in progress)	0	170
Instituto Hispánico del Arroz, S.A. (Australian Commodities, S.A.)	TBA Suntra BV	Purchases of goods (finished goods or work in progress)	79	0
Instituto Hispánico del Arroz, S.A. (El Cobujón, S.A.)	Herba Ricemills, S.L.U.	Sales of goods (finished goods or work in progress)	482	201
Instituto Hispánico del Arroz, S.A. (El Cobujón, S.A.)	Boost Nutrition, C.V.	Sales of goods (finished goods or work in progress)	51	51
Instituto Hispánico del Arroz, S.A. (El Cobujón, S.A.)	S&B Herba Foods, Ltd.	Sales of goods (finished goods or work in progress)	4	38
Instituto Hispánico del Arroz, S.A. (El Cobujón, S.A.)	TBA Suntra BV	Sales of goods (finished goods or work in progress)	0	65
Instituto Hispánico del Arroz, S.A. (El Cobujón, S.A.)	Herba Ricemills, S.L.U.	Purchases of goods (finished goods or work in progress)	59	82
Instituto Hispánico del Arroz, S.A. (El Cobujón, S.A.)	Boost Nutrition, C.V.	Purchases of goods (finished goods or work in progress)	72	51
Instituto Hispánico del Arroz, S.A. (El Cobujón, S.A.)	S&B Herba Foods, Ltd.	Purchases of goods (finished goods or work in progress)	408	158
Instituto Hispánico del Arroz, S.A. (El Cobujón, S.A.)	TBA Suntra BV	Purchases of goods (finished goods or work in progress)	0	65
Instituto Hispánico del Arroz, S.A. (Mundiarroz, S.A.)	Herba Ricemills, S.L.U.	Sales of goods (finished goods or work in progress)	345	350
Instituto Hispánico del Arroz, S.A. (Mundiarroz, S.A.)	Boost Nutrition, C.V.	Sales of goods (finished goods or work in progress)	191	35
Instituto Hispánico del Arroz, S.A. (Mundiarroz, S.A.)	S&B Herba Foods, Ltd.	Sales of goods (finished goods or work in progress)	4	129
Instituto Hispánico del Arroz, S.A. (Mundiarroz, S.A.)	Herba Ricemills, S.L.U.	Purchases of goods (finished goods or work in progress)	124	135
Instituto Hispánico del Arroz, S.A. (Mundiarroz, S.A.)	Boost Nutrition, C.V.	Purchases of goods (finished goods or work in progress)	212	35
Instituto Hispánico del Arroz, S.A. (Mundiarroz, S.A.)	S&B Herba Foods, Ltd.	Purchases of goods (finished goods or work in progress)	173	176
Instituto Hispánico del Arroz, S.A. (Mundiarroz, S.A.)	TBA Suntra UK, Ltd.	Purchases of goods (finished goods or work in progress)	0	170
Instituto Hispánico del Arroz, S.A. (Mundiarroz, S.A.)	TBA Suntra BV	Purchases of goods (finished goods or work in progress)	33	0
Instituto Hispánico del Arroz, S.A. (Pesquería Isla Mayor, S.A.)	Herba Ricemills, S.L.U.	Sales of goods (finished goods or work in progress)	329	346

## DIRECTORS

	Ebro Foods Group Company	Type of transaction	Total 2012	Total 2011
Instituto Hispánico del Arroz, S.A. (Pesquería Isla Mayor, S.A.)	Boost Nutrition, C.V.	Sales of goods (finished goods or work in progress)	118	0
Instituto Hispánico del Arroz, S.A. (Pesquería Isla Mayor, S.A.)	S&B Herba Foods, Ltd.	Sales of goods (finished goods or work in progress)	4	92
Instituto Hispánico del Arroz, S.A. (Pesquería Isla Mayor, S.A.)	Herba Ricemills, S.L.U.	Purchases of goods (finished goods or work in progress)	113	130
Instituto Hispánico del Arroz, S.A. (Pesquería Isla Mayor, S.A.)	Boost Nutrition, C.V.	Purchases of goods (finished goods or work in progress)	139	0
Instituto Hispánico del Arroz, S.A. (Pesquería Isla Mayor, S.A.)	S&B Herba Foods, Ltd.	Purchases of goods (finished goods or work in progress)	95	139
Instituto Hispánico del Arroz, S.A. (Pesquería Isla Mayor, S.A.)	TBA Suntra UK, Ltd.	Purchases of goods (finished goods or work in progress)	0	170
Instituto Hispánico del Arroz, S.A. (Pesquería Isla Mayor, S.A.)	TBA Suntra BV	Purchases of goods (finished goods or work in progress)	105	0
Antonio Hernández Callejas	Herba Ricemills, S.L.U.	Purchases of property, plant and equipment, intangible assets or other assets	0	1
Antonio Hernández Callejas	Ebro Foods, S.A.	Lease (expense)	36	0

### 27.3 OTHER RELATED-PARTY TRANSACTIONS WITH SIGNIFICANT SHAREHOLDERS, DIRECTORS / EXECUTIVES: DIVIDENDS RECEIVED FROM EBRO FOODS, S.A.

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

#### Dividends 2012:

- ❖ Dividends to significant shareholders: 24,183
- ❖ Dividends to directors and executives: 20,352

#### Dividends 2011:

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

In relation to the dividends distributed, the following is hereby disclosed:

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

### 27.4 RELATED-PARTY TRANSACTIONS WITH OTHER EBRO FOODS GROUP COMPANIES WHICH WERE NOT ELIMINATED IN THE PROCESS OF PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS AND WHICH DO NOT FORM PART OF THE GROUP'S NORMAL BUSINESS ACTIVITIES IN TERMS OF THEIR PURPOSE AND TERMS AND CONDITIONS

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

### 27.5 OTHER MATTERS OF INTEREST

- ❖ Ebro Foods, S.A. has an ownership interest of less than 20% in Biosearch, S.A. (16.82% at 31 December 2012), which is recognised in the Ebro Group's financial statements under "Available-for-Sale Financial Assets".

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

The transactions performed from 1 January to 31 December 2012 between Biosearch, S.A. and various Ebro Foods Group companies are detailed below (in thousands of euros):

Ebro Foods Group Company	Type of transaction	Total 2012	Total 2011
Herba Ricemills, S.L.U.	Purchases of goods (finished goods or work in progress)	108	146
Herba Ricemills, S.L.U.	Services received	77	137
Herba Ricemills, S.L.U.	Other expenses	0	200
Herba Ricemills, S.L.U.	Lease (income)	25	0
Dosbio 2010, S.L.U.	Lease (expense)	28	28
Ebro Foods, S.A.	Rendering of services	90	58

- ❖ Ebro Foods, S.A. also has an ownership interest of less than 20% in Deoleo, S.A. (9.3% at 31 December 2012), which is recognised in the Ebro Group's financial statements under "Available-for-Sale Financial Assets".

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

The transactions performed between 1 January and 31 December 2012 between Deoleo and various Ebro Foods Group companies are detailed below (in thousands of euros):

Ebro Foods Group Company	Type of transaction	Total 2012	Total 2011
Riviana Foods, Inc.	Sales of goods (finished goods or work in progress)	0	4
Herba Ricemills, S.L.U.	Sales of goods (finished goods or work in progress)	0	9,791
Riviana Foods, Inc.	Purchases of goods (finished goods or work in progress)	0	5,360
Herba Ricemills, S.L.U.	Purchases of goods (finished goods or work in progress)	32	29
S&B Herba Foods, Ltd.	Purchases of goods (finished goods or work in progress)	0	463
Ebro Foods, S.A.	Purchases of property, plant and equipment, intangible assets or other assets	0	203,493
Herba Ricemills, S.L.U.	Other income	0	172
Herba Ricemills, S.L.U.	Other expenses	0	126
Herba Ricemills, S.L.U.	Rendering of services	23	0
Herba Ricemills, S.L.U.	Services received	31	0
Lassie Nederland, BV	Services received	156	46
Lustucru Riz, S.A.	Obligations acquired	0	653
Lustucru Riz, S.A.	Purchases of property, plant and equipment, intangible assets or other assets	653	0

## 27.6 DUTIES OF THE DIRECTORS: CONFLICT OF INTEREST AND PROHIBITION OF COMPETITION

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

### Alimentos y Aceites, S.A.

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

### Instituto Hispánico del Arroz

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

It is hereby stated that Instituto Hispánico del Arroz, S.A. is a company engaging in an activity that is similar to the activity that constitutes the company object of Ebro Foods, S.A. and that it holds an ownership interest of 15.879% therein (direct ownership interest of 8.921% and indirect ownership interest of 6.959% through Hispafoods Invest,S.L., in which it has a 100% direct and indirect ownership interest and holds the position of director).



### Antonio Hernández Callejas

- ❖ Direct ownership interest of 16.666% in Instituto Hispánico del Arroz, S.A. No position is held.
- ❖ Direct ownership interest of 0.001% in Deoleo, 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.

### Dr. Rudolf-August Oetker

- ❖ Direct ownership interest of 12.5% in Dr. August Oetker KG. He holds the position of Chairman of the Advisory Board.
- ❖ He is a member of the Advisory board of the following companies belonging to the Dr. August Oetker KG Group: Dr. Oetker GmbH, Dr. August Oetker Nahrungsmittel KG, Dr. Oetker International Beteiligungs GmbH, Dr. August Oetker Nahrungsmittel Beteiligungs GmbH and Hamburg Südamerikanische Dampfschiffahrts-Gesellschaft KG.

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

<b>EBRO FOODS GROUP COMPANY</b>	<b>POSITION</b>
A.W. Mellish, Ltd.	Director acting severally
American Rice, Inc.	Chairman
Anglo Australian Rice, Ltd.	Director
Arrozeiras Mundiarroz, S.A.	Chairman
Bertolini Import und Export, GmbH	Director acting severally
Birkel Teigwaren, GmbH	Director acting severally
Blue Ribbon Mills, Inc.	Chairman
Boost Nutrition, C.V.	Director
Bosto Panzani Benelux, S.A.	Director
Danrice A/S	Director
Ebro America, Inc.	Chairman
Heap Comet, Ltd.	Director acting severally
Herba Germany GmbH	Director acting severally
Joseph Heap Property, Ltd.	Director acting severally
Joseph Heap & Sons Ltd.	Director
N&C Boost, N.V.	Director
New World Pasta Company	Chairman
Panzani, S.A.S.	Director
Riviana Foods, Inc.	Chairman
S&B Herba Foods, Ltd.	Director
Sos Cuétara Usa, Inc.	Chairman
T.A.G. Nahrungsmittel, GmbH	Director acting severally
Vogan, Ltd.	Director

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

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

In 2012 and 2011 no transactions were performed by the directors of Ebro Foods, S.A. with Ebro Foods Group companies that did not form part of the ordinary course of business of these companies or were not performed under arm's length conditions.

## 27.7 REMUNERATION OF DIRECTORS AND EXECUTIVES

**Directors' remuneration:** Ebro Foods, S.A.'s Board members earned total remuneration at all the Group companies amounting to EUR 4,556 thousand in 2012 (2011: EUR 4,244 thousand), the detail being as follows (in thousands of euros):

### DIRECTORS' REMUNERATION AND OTHER BENEFITS

	2012	2011
<b>Remuneration</b>		
Attendance fees	354	348
Bylaw-stipulated profit sharing	2,565	2,565
<b>Total non-executive directors</b>	<b>2,919</b>	<b>2,913</b>
Wages, salaries and professional fees	1,637	1,331
Termination benefits and other	0	0
<b>Total executive directors</b>	<b>1,637</b>	<b>1,331</b>
<b>Total remuneration</b>	<b>4,556</b>	<b>4,244</b>
<b>Other benefits</b>		
Life insurance and retirement benefits	0	0

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

The Board of Directors, at its meeting held on 28 February 2013 and at the proposal of the Recruitment and Remuneration Committee resolved, for 2012, to freeze the bylaw-stipulated profit-sharing at EUR 2,565 thousand, without any change in relation to 2011 and 2010. This will entail proposing to the shareholders at the Annual General Meeting that 1.62% of the consolidated net profit attributable to the Company in 2012 be used.

The Board also resolved to maintain the attendance fees from the previous year at EUR 1,600 for attending Ebro Foods Board meetings and EUR 800 for attending the various committee meetings, giving rise to a total amount of EUR 306 thousand for 2012.

The fees for attending the Board meetings of Deoleo, S.A. (company in which Ebro Foods has an ownership interest of 9.3%) amounted to EUR 48 thousand and were earned by the directors of this company that sat on the Board of Directors of Ebro Foods, S.A. in 2012.

Therefore, the sum total of the attendance fees earned by the directors of Ebro Foods, S.A., both of the Parent and of the aforementioned subsidiary, amounted to EUR 354 thousand.

The individualised breakdown of the remuneration in 2012 is as follows (in thousands of euros):

Director	Bylaw-stipulated profit sharing	Attendance fees	Fees for attending the board meetings of Deoleo, S.A.	Fixed remuneration for executive functions	Variable remuneration for executive functions	Total
Hernández Callejas, Antonio	359.8	23.2	37.6	682	955	2,057.6
Carceller Arce, Demetrio	312.9	28	10.2	0	0	351.1
Alimentos y Aceites, S.A.	149.9	19.2	0	0	0	169.1
Barreiro Seoane, José (Director until 29-05-12)	105.7	12	0	0	0	117.7
Castelló Clemente, Fernando	174.6	28.8	0	0	0	203.4
Comenge Sánchez-Real, José Ignacio	142.8	24	0	0	0	166.8
Daurella Comadrán, Sol	176.1	28.8	0	0	0	204.9
Del Pino y Calvo Sotelo, Leopoldo (Director until 29-11-12)	206.1	20	0	0	0	226.1
Hernández Rodríguez, Blanca	170.9	28.8	0	0	0	199.7
Instituto Hispánico del Arroz, S.A.	134.9	17.6	0	0	0	152.5
Nieto de la Cierva, José	209.9	20.8	0	0	0	230.7
Oetker, Rudolf-August	112.4	17.6	0	0	0	130
Ruiz-Gálvez Priego, Eugenio	142.8	24	0	0	0	166.8
Segurado García, José Antonio (Director since 29-05-12)	166	13.6	0	0	0	179.6
<b>Total</b>	<b>2,565</b>	<b>306</b>	<b>48</b>	<b>682</b>	<b>955</b>	<b>4,556</b>

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

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

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

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

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

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

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

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

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

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 68 thousand and in force until 30 April 2013. The aforementioned policy is currently in the process of being renewed.

## **28. OBJECTIVES AND POLICIES RELATING TO RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

The Ebro Foods Group carries out numerous actions to enable it to identify, assess, manage and minimise the risks to which its main business activities are exposed.

The main objective of the risk management policy consists of guaranteeing the value of the assets and the continuing growth of the Company through an optimum financial structure tailored to the legislation in force in the countries in which the Group operates. In addition, the Group's capital management policy seeks to ensure the maintenance of stable credit ratings and the maximisation of shareholder value.

The measures taken in this respect cover the key parameters of the management of the business, such as the income statement, borrowings, investment and the strategic policy of the Company, in order to make it possible to adopt the decisions that are key to the achievement of the objectives set out above. The accompanying consolidated directors' report includes information on the key risks of the business.

### **MANAGEMENT OF CAPITAL**

Capital management aims to guarantee the sustainability of the business and to maximise value for shareholders and, accordingly, takes into consideration the following:

- ❖ Cost of capital calculated in accordance with industry standards in order to approximate a combination of debt and equity that optimises the aforementioned cost.
- ❖ A leverage ratio that makes it possible to obtain and maintain the desired credit rating and to ensure the financing of the Company's long- and short-term projects.

The right combination of structure and costs of resources will make it possible to suitably remunerate shareholders and ensure the continuity and growth of the Ebro Foods Group's business model.

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

In recent years Ebro Foods has concentrated its activity on key businesses with strategic acquisitions and a low level of financial leveraging.

**NET DEBT****CONSOLIDATED**

(Thousands of euros)	2010	2011	2011-2010	2012	2012-2011
Equity	1,592,743	1,587,298	(0.3%)	1,692,209	6.6%
Net debt	17,600	390,073	2116.3%	244,804	(37.2%)
Average net debt	378,336	139,157	(63.2%)	294,114	111.4%
Leverage	1.1%	24.6%	2123.9%	14.5%	(41.1%)
Leverage, average debt (1)	23.8%	8.8%	(63.1%)	17.4%	98.3%
EBITDA	267,479	273,106	2.1%	299,576	9.7%
Hedge	0.07	1.43		0.82	

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

**FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

The Group's principal financial instruments include bank loans, bank overdraft facilities, equity instruments, cash and short-term deposits. Also, the Group has other financial assets and liabilities such as trade receivables and payables.

These financial instruments give rise to market risks due to changes in interest rates, exchange rates or the fair value of certain financial instruments, liquidity risk and credit risk.

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

In order to manage the foreign currency and interest rate risk arising from the Group's operations and, on occasions, the risk relating to possible changes in the price of certain raw materials (gas), the Group arranges hedges using derivative financial instruments (basically in the form of interest rate and foreign currency forwards and options) or non-derivative financial instruments (financing in foreign currencies) in order to minimise or limit the risk.

The aforementioned hedges will be arranged on the basis of:

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

The accounting policies used to measure these financial instruments are described in Note 3 to these consolidated financial statements. The Board of Directors and senior executives review and establish policies for managing each of these risks, as summarised below.

**CASH FLOW INTEREST RATE RISK**

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

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

A sensitivity analysis performed on the main financial instruments in the Group's balance sheet exposed to interest rate change risk with an impact on Group results showed variations on the income statement of EUR 2.1 million with interest rate changes equal to 50 basis points (2011: EUR 753 thousand). The exposure to interest rate risk increased as a consequence of the acquisition of the Deoleo Group's rice assets and the related financing, which was ultimately closed in the second half of 2011.

The main assumptions used in the sensitivity analysis model were as follows:

- ❖ Only financial instruments sensitive to material changes as a result of interest rate increases and decreases were included.
- ❖ All hedging transactions were excluded, since they are perfect hedges and are not subject to changes.
- ❖ The interest rate was considered as the sole variable, with all other variables in the model remaining constant.

#### CHANGES IN INTEREST RATES

Income/(Expense)	2012				2011			
	(0.50%)	(0.25%)	0.25%	0.50%	(0.50%)	(0.25%)	0.25%	0.50%
Profit (Loss) before tax	2,151	1,076	(1,076)	(2,151)	753	377	(377)	(753)

#### FOREIGN CURRENCY RISK

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

As a result of the significant investments in the US, the Group's balance sheet could be significantly affected by fluctuations in the USD/EUR exchange rate. The ultimate objective of the exchange-rate risk management policy is to offset (at least partially) the potential fall in the value of assets denominated in currencies other than the euro by savings due to decreases in value of the liabilities in these currencies.

The Group endeavours to mitigate the effect of its structural foreign currency risk by obtaining loans in US dollars and, accordingly, most of its investments in the US are hedged in this way.

At 31 December 2012, "Other Loans" included two loans totalling USD 301 million (31 December 2011: USD 374 million) (see Note 22) which were designated as hedges of net investments in the US subsidiaries and are used to hedge the Group's exposure to foreign currency risk on these investments.

The gains or losses on the translation to euros of these loans are recognised in equity to offset any gains or losses on the translation of the net assets at these subsidiaries.

In addition, the Group is exposed to foreign currency risk on its transactions. This risk arises from purchases and sales made by the operating units in currencies other than the functional currency.

In relation to important transactions, the Group uses forward foreign currency contracts to eliminate or minimise foreign currency risk. These contracts must be stated in the same currency as the item that is being hedged and they must not be arranged until the definitive contract is entered into, in order to obtain the best possible correlation with the hedged underlying.

As indicated in the preceding paragraph, certain Rice Business companies (Herba, S&B Herba, TBA Sundra, Boost and Euryza) and Pasta Business companies (Panzani) have foreign currency forward contracts and foreign currency options (foreign currency swaps) to mitigate the exposure of their commercial transactions. These transactions are carried out in order to minimise foreign currency risk although they do not qualify for hedge accounting. The outstanding contracts at 2012 year-end were as follows:

#### CURRENCY

	Notional amount (thousands)	
	2012	2011
USD	38,879	62,681
CZK	0	8,500
EUR	10,961	14,616
GBP	2,700	332

The sensitivity analysis performed on the financial instruments in the Group balance sheet exposed to changes in exchange rates was based on the following assumptions:

- ❖ Only financial instruments sensitive to material changes as a result of changes in exchange rates were included.
- ❖ All borrowings constituting an effective hedge of the object of the investment are excluded.
- ❖ The exchange rate was considered as the sole variable, with all other variables in the model remaining constant.

### Impact on profit or loss

#### CHANGES IN EUR

	2012				2011			
<b>In relation to derivatives:</b>								
Income/(Expense)	(10.00%)	(5.00%)	5.00%	10.00%	(10.00%)	(5.00%)	5.00%	10.00%
Profit (Loss) before tax	1,264	665	(665)	(1,264)	2,764	1,434	(1,434)	(2,764)
<b>In relation to other financial instruments:</b>								
Income/(Expense)	(10.00%)	(5.00%)	5.00%	10.00%	(10.00%)	(5.00%)	5.00%	10.00%
Profit (Loss) before tax	563	295	(295)	(563)	913	478	(478)	(913)

#### CHANGES IN GBP

	2012				2011			
<b>In relation to derivatives:</b>								
Income/(Expense)	(10.00%)	(5.00%)	5.00%	10.00%	(10.00%)	(5.00%)	5.00%	10.00%
Profit (Loss) before tax	40	17	(17)	(40)	(187)	(84)	84	187
<b>In relation to other financial instruments:</b>								
Income/(Expense)	(10.00%)	(5.00%)	5.00%	10.00%	(10.00%)	(5.00%)	5.00%	10.00%
Profit (Loss) before tax	(169)	(89)	89	169	(707)	(370)	370	707

#### CHANGES IN USD

	2012				2011			
<b>In relation to derivatives:</b>								
Income/(Expense)	(10.00%)	(5.00%)	5.00%	10.00%	(10.00%)	(5.00%)	5.00%	10.00%
Profit (Loss) before tax	(539)	(282)	282	539	(2,234)	(1,171)	1,171	2,234
<b>In relation to other financial instruments:</b>								
Income/(Expense)	(10.00%)	(5.00%)	5.00%	10.00%	(10.00%)	(5.00%)	5.00%	10.00%
Profit (Loss) before tax	(120)	(228)	120	228	(108)	(206)	108	206

### Impact on borrowings

#### CHANGES IN USD

	2012				2011			
+ Debt / (- Debt)	(10.00%)	(5.00%)	5.00%	10.00%	(10.00%)	(5.00%)	5.00%	10.00%
ECB borrowings	(19,230)	(10,073)	10,073	19,230	(32,607)	(17,080)	17,080	32,607

#### PRICE RISK OF OTHER FINANCIAL ASSETS

The Group is exposed to changes in the price of certain financial assets and liabilities. The most significant effect relates to the shares of Deoleo Corporación Alimentaria, S.A. and Biosearch, S.A., which are recognised as available-for-sale financial assets in the consolidated balance sheet for the year ended 31 December 2012 (see Note 12). Changes in their fair value are recognised in the income statement from 30 June onwards, when it is considered that they had suffered permanent impairment.

#### LIQUIDITY RISK

The Group's objective is to match the maturities of its payables to its ability to generate cash flows to settle these obligations.

In order to achieve this, it maintains a balance between continuity of the financing and flexibility through the use of renewable credit facilities, bank loans that may include grace periods to adapt them to the return on the related assets, and forward purchase contracts. A detail of the borrowings at 31 December 2012 and the related maturity is provided in Note 22.

#### **CREDIT RISK (COUNTERPARTY)**

This risk arises when a counterparty fails to meet its contractual obligations resulting in a financial loss for the Group.

The risk is mitigated through an appropriate selection policy in relation to the transactions and banks that act as a counterparty in these transactions based on their credit ratings and obtaining sufficient guarantees to mitigate this risk.

The Group's policy with respect to commercial transactions has always been conservative and there are risk committees that regularly assess the situation, the open positions and the automatic alerts implemented in the systems, which historically have led to low bad debt rates. Also, the commercial and collection management departments work together on a coordinated basis and take into account the credit ratings awarded by the credit insurance companies with which the Group works, which provide the last line of guarantee. The Group's high level of geographical diversification reduces the concentrations of credit risk at the Group arising from this type of transaction.

## **29. INFORMATION ON THE ENVIRONMENT**

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

These objectives are as follows:

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



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

Also, in order to ensure the fulfilment of the packaging and packaging waste reduction, recycling and recovery objectives defined in Law 11/1997, of 24 April, the Spanish subsidiary Herba is a member of Ecoembalajes España, S.A. (Ecoembes), a not-for-profit public limited liability company the mission of which is to design and develop systems aimed at the separate collection and recovery of used packaging and packaging waste. Ecoembes uses what is known as the Green Dot concept (a symbol that appears on the packaging) to evidence that the packer of the product has paid an amount of money for each package placed on the market.

In addition, both the European rice companies and Ebro Foods' head office have entered into an agreement with companies similar to Ecoembes for the destruction of paper and other media. This agreement enables them to both comply with the Spanish Data Protection Law and ensure the sustainable management of this documentation through the commitment that these companies have to recycle the related items.

Lastly, various Group companies have taken out third-party liability insurance to cover sudden unintentional pollution, since they consider that such insurance covers all possible risks in this connection. To date, there have been no significant claims in this connection. There have, however, been favourable opinions and reports from audits, inspections, the absence of allegations in the processing of Integrated Environmental Authorisations, etc.

## 30. FEES PAID TO AUDITORS

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"Fees Paid to Auditors" in the consolidated income statement includes the fees paid to the auditors of the consolidated financial statements.

In 2012 (2011), the fees for the financial audit services and other services provided by the Company's auditor, Deloitte, S.L., or by a firm related to the auditor resulting from control, common ownership or management were as follows (in thousands of euros):

- ❖ The fees for audit services in 2012 amounted to EUR 1,456 thousand (2011: EUR 1,650 thousand) and for other attest services amounted to EUR 48 thousand (2011: EUR 131 thousand).
- ❖ The fees for tax advisory and/or other services amounted to EUR 207 thousand (2011: EUR 257 thousand).

## **31. EVENTS AFTER THE REPORTING PERIOD**

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

On 13 March 2013, the Ebro Group entered into an agreement to acquire a rice production plant in Haryana, India, which was owned by Olam International, an integrated supplier of agricultural products and food ingredients based in Singapore. This modern, cutting-edge rice production plant has a capacity to process 18 tonnes of paddy per hour, more than 100,000 tonnes of rice per year. In addition to the industrial assets, all of its employees and its sales network will be transferred to the Ebro Group. The agreed-upon price for this transaction amounted to USD 14.5 million and is expected to be completed at the end of March 2013, subject to the approval of the regulatory authorities.

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

## **32. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH**

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

**EBRO 2012**

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**FINANCIAL  
INFORMATION**

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**CORPORATE SOCIAL  
RESPONSABILITY**

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**CORPORATE  
GOVERNANCE**

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**CONSOLIDATED DIRECTORS' REPORT**

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**[www.ebrofoods.es](http://www.ebrofoods.es)**

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# EBRO FOODS GROUP

## CONSOLIDATED DIRECTORS' REPORT FOR 2012

### (EXPRESSED IN THOUSANDS OF EUROS)

## 1. ANALYSIS OF 2012

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### BACKDROP

As announced at 2011 year-end, the macroeconomic backdrop was complex in 2012. The euro zone experienced significant financial instability in the first half of the year, closing with an annual contraction of its GDP and an overall rise in the unemployment rate which affected Southern European countries to a larger degree and threatens to spread to France (in particular) and Germany. The US economy maintained a precarious balance between a highly expansive monetary policy driven by the US Federal Reserve, which spurred consumer demand and a recovery in the property market, and the need to overcome the so-called "fiscal cliff". Lastly, the developing economies (particularly China and Brazil) continued to gain momentum, albeit hesitantly, benefiting other exporting economies dependent on raw material prices.

Against this complex backdrop, there are nevertheless grounds for optimism due to the increased financial stability of the euro zone and the endeavours made towards fiscal consolidation, which have enabled the most depressed economies to increase their competitiveness. In parallel, there are signs of improvement in consumer confidence indicators, although this has not yet been reflected in changes in activity.

In general, analysts agree that, although many steps must be taken to be able to affirm that the crisis has effectively been overcome, the risk of it deepening or of the main risk factors worsening is lower.

The slowdown in consumption in the euro zone and strong pressure on brands and prices continued. In the US, despite an improvement in private consumption and household indebtedness, price continued to be an essential factor in purchase decisions.

Grain markets remained fairly stable, with prices falling until the summer, when certain tensions were unleashed by the drought in the US and uncertainties about crop yields. This situation led to an increase in the price of certain products, particularly soy beans and corn, although it also affected the price of wheat. Lastly, the confirmation that the wheat harvest reached the expected level and the good level of ending wheat stocks eased the upward pressure on prices towards the end of the year.

Rice prices dropped slightly with some exceptions depending on the type or origin of grain arising from the policies of certain governments (Thailand) or the devastating drought in Texas which has affected harvests in recent years although, in general, expectations are favourable and final stock forecasts point to all-time highs. Favourable aspects worthy of note include the opening of borders in Egypt and a good harvest of Australian medium-size grain, which drove down the prices for this type of rice. There is complete uncertainty with regard to the situation in Thailand, with out-of-market prices and a considerable amount of subsidised grain -around 18.5 million tonnes of paddy rice- in the warehouses.

## GROUP EARNINGS

Net profit from continuing operations grew by 4.5%. The double-digit rise in the AAGR over the last three years (+10.8%) and the growth in the main income statement aggregates has ensured profit levels remained strong and stable despite the complex backdrop.

Revenue grew by 13.1% year-on-year due to the full inclusion for the entire year of the acquisitions made in 2011. The change also reflects the adjustments made to the prices and discounts of the new brand portfolio adapted to the Group's profit structure and the disposal of the Nomen brand and other smaller brands as a result of the conditions established by the Spanish National Competition Commission on approving the acquisition of the SOS rice business in Spain.

EBITDA increased by 9.7% with respect to 2011, with an AAGR of 5.8% during the period 2010-2012. This was mainly driven by the rice business, where the inclusion of the acquisition of SOS contributed EUR 27 million and where the Riviana business in the US achieved more than satisfactory growth of 19.4%.

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

## CONSOLIDATED FIGURES

(Thousands of euros)	2010	2011	2011-2010	2012	2012-2011	AAGR 2012-2010
Net Sales	1,688,957	1,804,111	6.8%	2,041,266	13.1%	9.9%
EBITDA	267,479	273,106	2.1%	299,576	9.7%	5.8%
% of net sales	15.8%	15.1%		14.7%		
EBIT	211,573	224,022	5.9%	242,295	8.2%	7.0%
% of net sales	12.5%	12.4%		11.9%		
Profit before tax	192,504	222,393	15.5%	247,901	11.5%	13.5%
% of net sales	11.4%	12.3%		12.1%		
Income tax	(63,532)	(70,750)	(11.4%)	(89,450)	(26.4%)	18.7%
% of net sales	(3.8%)	(3.9%)		(4.4%)		
Consolidated profit for the year (continuing operations)	128,972	151,643	1.6%	158,451	4.5%	10.8%
% of net sales	7.6%	8.4%	0.0%	7.8%	0.0%	
Net profit	259,970	0	(100.0%)	0		(100.0%)
% of net sales	15.4%	0.0%	0.0%	0.0%	0.0%	
Net profit	388,797	151,542	(61.0%)	158,592	4.7%	(36.1%)
% of net sales	23.0%	8.4%		7.8%		
Average working capital	237,222	252,916	(6.6%)	337,378	(33.4%)	
Capital employed	995,309	1,007,686	(1.2%)	1,212,424	(20.3%)	
ROCE (1)	21.3	22.2		20.0		
Capex	69,617	66,596	(4.3%)	52,930	(20.5%)	
Average headcount	4,850	4,920	1.4%	4,884	(0.7%)	
	<b>12-31-10</b>	<b>12-31-11</b>	<b>2011-2010</b>	<b>12-31-12</b>	<b>2012-2011</b>	
Equity	1,592,743	1,587,298	(0.3%)	1,692,209	6.6%	
Net debt	17,600	390,073	2116.3%	244,804	(37.2%)	
Average net debt	378,336	139,157	(63.2%)	294,114	111.4%	
Leverage (2)	0.24	0.09		0.17		
Total assets	2,885,030	2,710,608		2,719,717		

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

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

The profitability measured using the EBITDA to Sales ratio dropped slightly to 14.7%, due mainly to the lower returns of the pasta business in the US and a worse sales ratio in the US of the ARI brands acquired in 2011 which we are repositioning in our product portfolio. Accordingly, the return on capital employed (ROCE) dropped to 20%. ROCE was calculated with annual average working capital at 2012 year-end considerably higher than in 2011. Therefore, despite this drop in the ratio at 2012 year-end, the slight improvement in working capital led to a reduction in indebtedness with respect to 31 December 2011.

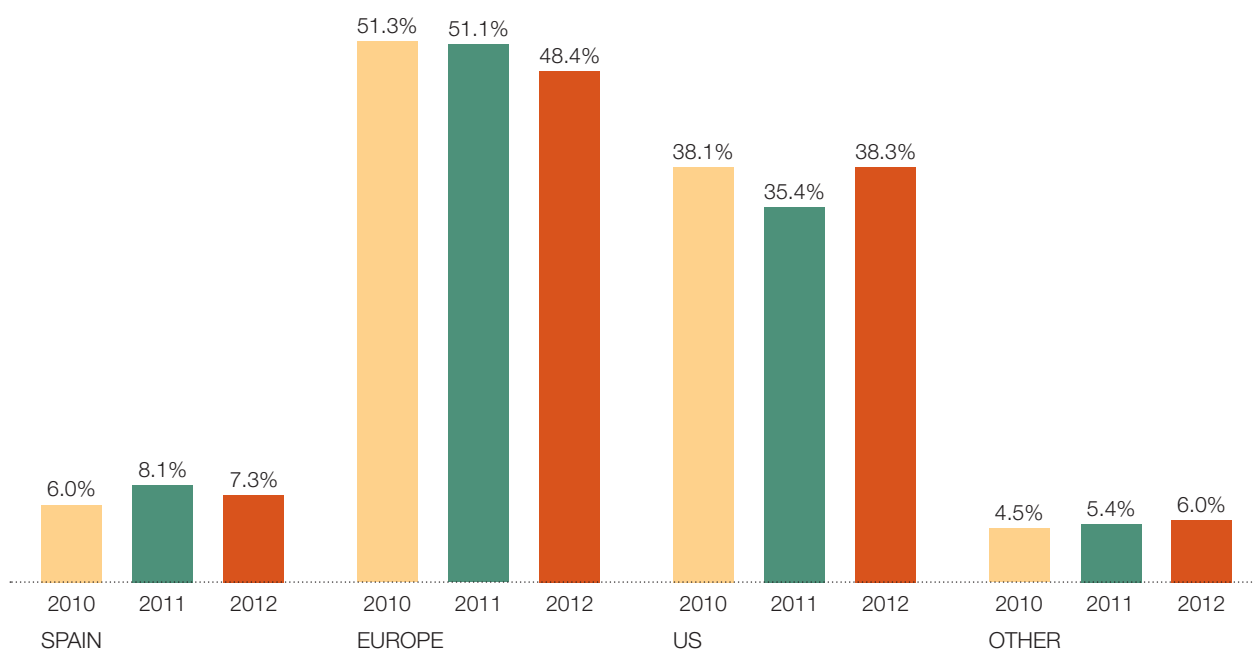
Profit from continuing operations improved due to the increase in resources generated in operations and the positive balance of the non-recurring transactions, although this was partially offset by the increase in finance charges on the borrowings required to purchase the SOS rice business.

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

### THE EBRO FOOD STRATEGY

❖ **Low risk exposure.** The Group's structure affords a geographically balanced source of income. The Group is present in developed countries that the management teams know well and where it is possible to share resources and develop synergies. The growth strategy places particular emphasis on these synergies: high value added products in countries with high consumer demand and seeking possible openings in developing countries with high potential. The detail of sales, by geographical area, is as follows:

#### Geographical areas



The recently announced acquisition of 25% of the share capital of the Italian company Riso Scotti Spa. -leader in the market for the special rice variety used to make risotto in Italy- accords well with this strategy. The company's portfolio includes many high value added products (rice and soy bean milk, rice biscuits, rice bran oil, ready meals, etc.) targeted at the premium segment.

Also, the acquisition of the Abu Bint brand, which has expanded the Group's presence in the Middle East (representing 2.75% of total sales) and the recently announced acquisition of a rice processing plant in India evidence the firm steps taken in high-potential countries.

Also, a low-levered financial position makes growth possible without exposure to financial storms.

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

In 2012 the Group expanded the distribution of frozen rice in the US (Minute Steamers) by introducing it at the country's largest distributor, which gave rise to 600% revenue growth for this product. New ready-to-serve rice varieties were introduced, for which there is already an extensive recipe database, recording steady 17% growth.

In Europe, significant research and development efforts led to two major cutting-edge innovations: the confirmation of Sabroz (the first round rice that cannot be overcooked and absorbs all the flavour) as the fifth commercial brand in Spain and the launch of a new potato-based product line in France (Noisettes and Cubes) for pan-frying which has far exceeded sales forecasts.

- ❖ **Growth and consolidation of synergies.** Ebro Foods is a Group specialising in food with a large presence in the US and Europe and a growing presence in the markets where raw materials are sourced. Companies are acquired on the basis of selective criteria in areas that enable synergies to be amply integrated.

No Yolks and Wacky Mac were added to the brands of the former SOS rice business discussed earlier, the full business potential of which, although fully integrated, will not be harnessed until 2013.

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

YEAR	Amount (thousands of euros)
2010	64,691
2011	66,596
2012	52,930

In 2012 the most significant investments relate to the fresh pasta plant located on the outskirts of Lyon, which is aimed at increasing the capacity of all dishes of this type (such as gnocchi) to be pan-fried or the new potato-based dish line. Another ambitious project that commenced at the end of 2012 and will require significant investments in the future is that of rice-based ingredients.

## FINANCIAL POSITION

The debt position continued to be highly satisfactory.

NET DEBT (Thousands of euros)	CONSOLIDATED FIGURES				
	2010	2011	2011-2010	2012	2012-2011
Equity	1,592,743	1,587,298	(0.3%)	1,692,209	6.6%
Net debt	17,600	390,073	2116.3%	244,804	(37.2%)
Average net debt	378,336	139,157	(63.2%)	294,114	111.4%
Leverage	1.1%	24.6%	2123.9%	14.5%	(41.1%)
Leverage, average debt <b>(1)</b>	23.8%	8.8%	(63.1%)	17.4%	98.3%
EBITDA	267,479	273,106	2.1%	299,576	9.7%
Hedge	0.07	1.43		0.82	

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

Hedging ratios were very positive, enabling high investment capacity and organic or inorganic growth. The changes in the level of debt to free cash flow generation can be seen in the following table:

CONSOLIDATED FIGURES (Thousands of euros)	2010	2011	2012
Cash flow from operating activities	199,490	58,496	220,734
Cash flow from investing activities	531,126	(253,662)	(37,029)
Cash flow from treasury share transactions	(95,401)	(177,232)	(44,296)
<b>Free cash flow</b>	<b>635,215</b>	<b>(372,398)</b>	<b>139,409</b>

In 2011 the rise in the price of raw materials triggered a considerable increase in the use of operating cash due to the increase in working capital, although in 2012 the situation stabilised to normal levels. The major changes that took place in other lines related to the purchase or sale of businesses (investment) and the distribution of dividends or treasury share transactions (financing).

## MAIN BUSINESSES

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

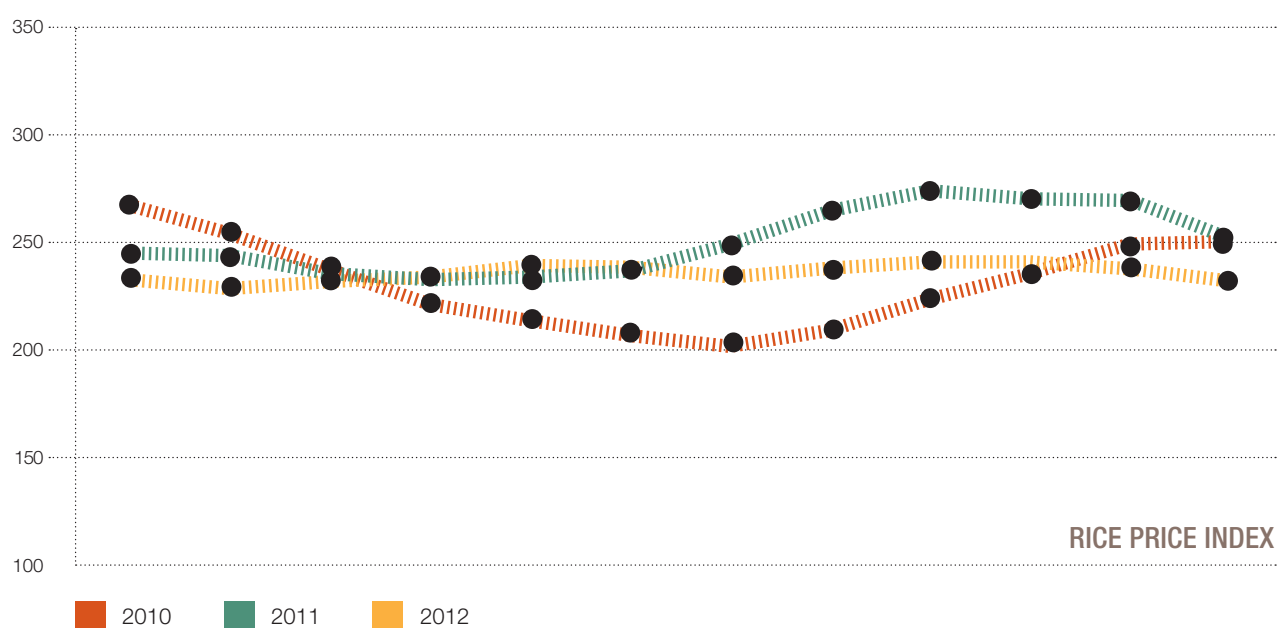
- ❖ **Rice Business:** includes the industrial and branding activities in relation to rice and other products. The Group operates throughout Europe, the Mediterranean region, the Middle East, North America and Thailand through Herba, Riviana and ARI (US).
- ❖ **Pasta Business:** includes the production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

## RICE

### RICE BUSINESS

(Thousands of euros)	2010	2011	2011-2010	2012	2012-2011	TAMI 2012-2010
Net sales	811,558	920,752	13.5%	1,105,738	20.1%	16.7%
EBITDA	123,263	135,953	10.3%	161,035	18.4%	14.3%
EBIT	99,019	113,698	14.8%	133,927	17.8%	16.3%
Profit from operations	103,024	103,056	0.0%	130,021	26.2%	12.3%
Average working capital	181,782	231,686	(27.5%)	298,822	(29.0%)	
Capital employed	506,347	582,158	(15.0%)	729,081	(25.2%)	
ROCE	19.6	18.8		18.4		
Capex	37,855	26,950	(28.8%)	19,105	(29.1%)	

- ❖ As indicated in the reflection on the overall climate in 2012, prices remained steady with record highs in world production. Although the last long-grain harvest in Europe, South America and the US was not as bountiful, the possibility of exporting from other origins calmed local tensions such as those triggered by the drought in the US, particularly in Texas, and price restrictions in Thailand.
- ❖ Changes took place in the list of major exporters, traditionally led by Thailand and currently exceeded by India, Vietnam and the inclusion of countries such as Egypt, which have brought stability to medium-grain prices.





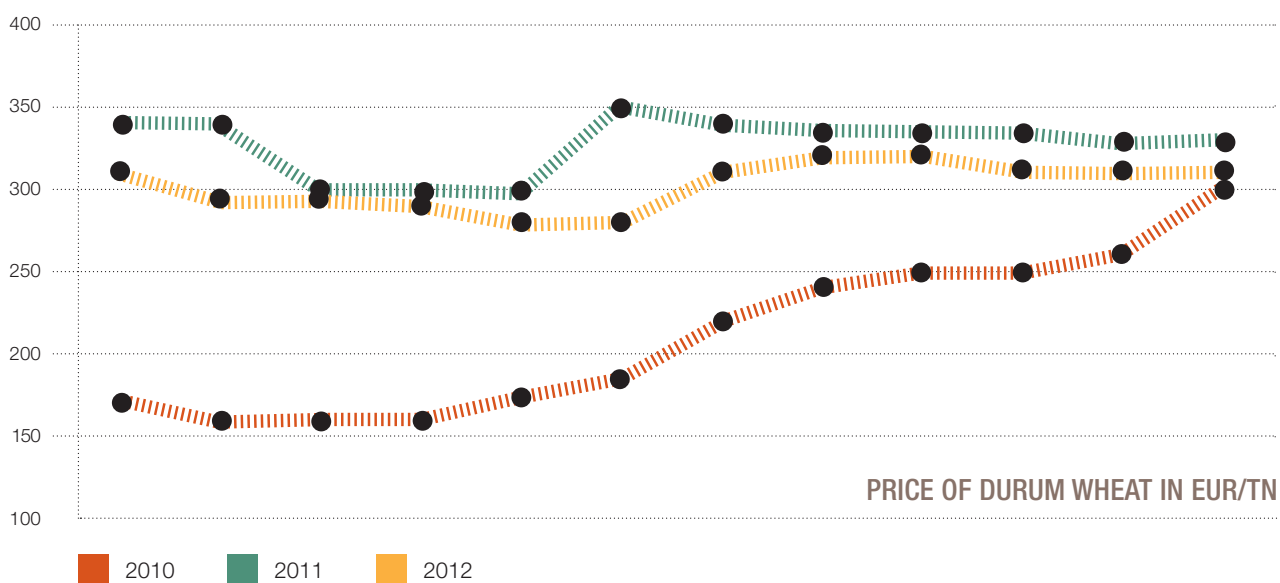
- ❖ Local sales increased due to the inclusion of the new businesses (EUR 196 million) and the impact of the exchange rate on sales made in US dollars, mitigated by the drop in industrial sales due to the scarcity of Spanish paddy rice varieties. Revenue from the retail area was practically identical to that of 2011 after discounting the smaller contribution of the Nomen brand.
- ❖ EBITDA grew 18.4% year-on-year or EUR 25 million, of which EUR 12 million related to the SOS brand and another EUR 12 million to the growth of Riviana, which recorded an all-time high. Conversely the contribution of the Nomen brand was lost -calculated at approximately EUR 5 million annually- although ARI's contribution increased by EUR 5 million with respect to 2011.
- ❖ Riviana's outstanding results were due to the improved efficiency of the Memphis factory, which is already working to full capacity, volume growth in the "Ready to Serve" line -with highly successful local production- and to improved profitability of wild rice varieties and rice-based products arising from advantageous positions in the supply thereof.
- ❖ The slight contraction in the area's ROCE was due to the lower profitability of ARI's business in the US, which has undoubted upside potential once its brands have been repositioned and taking into account the export potential of the Abu Bint brand.
- ❖ The main investments made in the area related to equipment for improving the productivity of the Memphis plant (USD 4 million) and to those made in the ingredients project in the Netherlands (EUR 3.5 million).

## PASTA

### PASTA BUSINESS

(Thousands of euros)	2010	2011	2011-2010	2012	2012-2011	TAMI 2012-2010
Net sales	916,101	928,297	1.3%	982,226	5.8%	3.5%
EBITDA	160,484	144,457	(10.0%)	145,370	0.6%	(4.8%)
EBIT	133,741	119,064	(11.0%)	116,634	(2.0%)	(6.6%)
Profit from operations	122,806	107,798	(12.2%)	108,002	0.2%	(6.2%)
Average working capital	60,427	69,173	(14.5%)	90,115	(30.3%)	
Capital employed	442,061	456,917	(3.4%)	520,880	(14.0%)	
ROCE	30.3	26.1		22.4		
Capex	32,652	38,095	16.7%	33,574	(11.9%)	

- ❖ The price of durum wheat remained stable, albeit with a slight downward trend until the summer and the tensions created by other harvests such as soybean and corn. Nevertheless, a better harvest than in 2011 in the US and Canada returned prices to normal levels, narrowing the price difference with respect to other varieties. In any case, prices remained high.



- ❖ The two business units performed very differently. Whereas in Europe Panzani led the market, achieving volume growth across its product portfolio, NWP encountered the opposite strategy from its competitors in the US, which gave rise to a base price differential that also affected our shelf positioning.
- ❖ The market also witnessed opposing trends, growing in France (2.3% in dry pasta, 3.4% in fresh pasta) and shrinking in the US (3.4% in dry pasta). However, in both cases the market share of private brands and initial prices increased in relative terms.
- ❖ As a result of the situation mentioned in the preceding paragraphs, despite the growth in sales arising from the excellent performance of Panzani and the inclusion of the No Yolks and Wacky Mac brands, revenues from this area remained largely unchanged.
- ❖ EBITDA grew by 0.6%, although the Compound Average Growth Rate (CAGR) reflects a 4.8% decrease in revenue from New World Pasta in the last two years, which in 2010 had posted outstanding earnings. After a period of intense reflection, the current situation made it advisable to change strategy in order to narrow the gap in base prices that was eroding volumes in the US and leading to various costly promotional initiatives that are less effective in the long term.
- ❖ CAPEX was focused on facilities to improve the capacity and productivity of fresh products (EUR 8 million), the acquisition of land for a new fresh products factory on the outskirts of Lyon (EUR 5 million) and the work carried out to complete the assembly of the new pasta lines at Saint Louis.

## 2. OUTLOOK FOR THE GROUP

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2013 does not herald radical changes in the current crisis situation, which has been ongoing for five years. Despite the fact that certain early indicators seem to suggest a degree of improvement in consumer confidence and that the worst-case scenarios for the financial system and the “fiscal cliff” appear to be receding, uncertainties nevertheless remain and unemployment rates and purchasing power continue to hold back recovery in most developed economies. As mentioned earlier with regard to 2012, “the price factor will foreseeably be considered to a greater extent by a certain percentage of the population and brands are likely to have to go the extra mile to stand out and achieve a price-quality balance”, i.e. the market is rife with difficulties and maintaining robust solvency levels is a triumph in itself.

Prices are expected to remain stable in the rice and wheat markets, particularly in the case of durum wheat, whereas certain aromatic rice varieties has suffered pricing pressures.

### RICE BUSINESS

The commitment to innovation will be extended to both sides of the Atlantic. There will be new developments in the Sabroz line, with new rice combinations and cooking stock. Riviana has an extensive assortment of products for its Minute microwave range and other healthy easy-to-cook products.

Also, the new facilities of Herba ingredients came into service, progressively integrating the capability dedicated to special flours and rice-based products from the plants located in Belgium and the Netherlands. The wide range of possibilities tested at the San José de la Rinconada pilot plant evidence the Group's long-term commitment to innovation.

The new rice processing plant in India will commence its activity as the Group's Basmati rice supply point.

#### **PASTA**

The Group is still committed to innovation and to making fresh products the focus of growth. Construction of the new Lyon fresh pasta factory will be under way in 2013, which will be a keystone of this strategy.

The change in strategy at New World Pasta has been underway since the beginning of 2013. The objective is to bring non-promotional prices into line with those of competitors at US retailers. The new strategy includes a marketing plan that increases advertising expenditure for the purpose of enhancing the value of our brands and launching a new range of sauces that completes our "meal solutions" offering.

### **3. R&D+I ACTIVITIES**

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Ebro Foods has always been a step ahead of new consumer trends and is an international benchmark in the research and development of products applied to the food industry. Aware that R&D+i is an essential tool for the implementation of its quality and differentiation strategy, in 2012 the Group continued its unwavering commitment in this connection.

The total investment made in 2012 amounted to EUR 5.5 million, which was distributed between internal resources (EUR 3.8 million) and external resources (EUR 1.7 million).

The Group has built its R&D+i engine around research centres in France, the US and Spain. These centres and the main projects carried out in the year are:

1. CEREC, located in St. Genis Laval (France), with eight employees, oriented towards developing the pasta division's range of fresh pasta, fresh pre-cooked meals and sauces. In 2012 the Group's activity focused on extending its potato-based product range (such as "cubes à rissoler"), developing and renewing the Bolognese sauce range, new stuffed products for pan frying and new cheese sauces.
2. CRECERPAL, located in Marseilles, with eight technicians working in a raw material testing and analysis laboratory, focuses research on the development of the category of durum wheat, dry pasta, couscous and new food processing technologies applied to cereals. In 2012 efforts were directed mainly towards improving pasta production processes and extending the pan-fried rice and quick-cooking rice ranges.

3. In the US, with four employees dedicated to the development of new products, processes and technologies or to the adaptation thereof for the rice and pasta divisions in the US. Their work is focused on the preparation of new healthy, gluten-free products, the launching and adaptation of new Healthy Harvest and Garden Delight sauces and fine tuning of the packaging production lines for new products which were previously manufactured in Spain.
4. Centres associated with the Herba Group in Moncada (Valencia), and the new plant in San José de Rinconada, with 15 researchers dedicated to developing new and/or improved products and technologies and to technical assistance in the areas of rice technology and rice-based products for the modern hospitality industry, i.e. fast-food and catering. The most important project under way is the development of a functional flour and rice-, cereal- and legume-based ingredients line which is the basis of a completely new line of business.

## 4. TREASURY SHARE TRANSACTIONS

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In 2012, the Parent made treasury share purchases and sales pursuant to authorisations granted by the shareholders at the Annual General Meetings held on 15 June 2011 and 29 May 2012, and, in accordance with current legislation, the Spanish National Securities Market Commission (CNMV) was notified accordingly. In 2012 409,720 shares were purchased, 2,255,161 shares sold and 1,538,653 treasury shares delivered to shareholders as dividends payable (see Note 18.3). At 31 December 2012, the Company did not have any treasury shares.

## 5. EMPLOYEES

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The number of employees at Ebro Foods continued to grow with the inclusion of new companies and businesses. This situation allows for the integration of diverse cultures and skills with a constant flow of information and knowledge.

## 6. RISK AND FINANCIAL INSTRUMENT MANAGEMENT OBJECTIVES AND POLICIES

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

In 2011 the Group developed a risk map, managed with the aid of a software tool called GIRO. The risk map includes a risk matrix for the whole Group and by individual company, including the probability of occurrence of these risks, their related impact and the protocols to be put in place to mitigate these risks. The main risks, their associated processes and control mechanisms are reviewed each year.

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

The main risks and the control systems in place to mitigate them are as follows.

#### **RISKS SPECIFIC TO THE INDUSTRY IN WHICH THE ACTIVITY IS CARRIED ON**

**Legal/Regulatory risk.** The Group is subject to, and its operations are affected by, the legislation of numerous countries and international organisations. This legislation establishes rules ranging from production quotas to trading prices or tariff protection. To counter the related risk, the Group opted to apply a policy of geographical and product diversification.

The Group is also exposed to the risk of not being able to adequately protect its brands and intellectual property. Therefore, the Group exhaustively monitors its intellectual property and protects its use with the competent agencies, applying for the appropriate patents wherever necessary.

**Environmental and food quality risk.** The Group's environmental policy is based on the principle of compliance with the legislation in force at any given time, for which purpose the Group has defined, developed and implemented a quality, environmental and food safety management system that meets the requirements of the UNE-EN-ISO 9001:2000/8, UNE-EN-ISO 14001:2004 and ISO 22000:2005 standards under which many of the Group's production centres have been certified.

The food safety and quality programmes are based on the monitoring of protocols that aim to identify and control certain Hazard Analysis and Critical Control Points (HACCP) to ensure that residual risk is minimal. The main control points are grouped into:

- ❖ **Physical points.** Controls to detect materials unrelated to the product or the presence of metals.
- ❖ **Chemical points.** Detection of chemical elements or the presence of allergens.
- ❖ **Biological points.** Presence of elements such as salmonella or other types of pathogens.

Most of the handling processes have obtained IFS (International Food Security) certificates and the US pasta plants are on the verge of obtaining Global Food Safety Initiative (GFSI) compliance certification.

Furthermore, the Group has undertaken various initiatives to reduce gas emissions and atmospheric waste, improve water quality and reduce waste discharges, improve energy efficiency and water conservation, as well as recycling programmes for physical waste such as paper, aluminium and other materials.

The Group provides its employees with adequate and ongoing training in areas relating to food safety and occupational health and safety.

Lastly, the Group has taken out several insurance policies that cover the risks relating to food safety.

**Supply risk.** The business activities carried on by Ebro Foods depend on the supply of raw materials such as rice and durum wheat. The Group is exposed to the risk of not receiving sufficient raw materials of a quality that is in line with the Group's standards at an appropriate price. To cater for this risk the Group acts along two lines:

- a. Diversifying the sources of supply, going to the main production markets if it is considered that in doing so a competitive advantage is gained. The Group currently has supply points in Thailand, India, Uruguay, the US, Spain and Italy.
- b. Entering into long-term supply agreements and cooperation agreements with the suppliers that the Group considers to be important for the business.

**Competition / installed capacity-related risk.** The consumer goods industry is threatened by possible surplus installed capacity, which becomes more apparent at low points in the economic cycle and increased competition at low prices. Once more, the best guarantee against this type of risk is innovation and ongoing product differentiation. Also, the Group endeavours to keep up to date and renew its production structure by retiring the assets that it does not consider to be sufficiently efficient (restructuring in Germany) and by investing in new factories (Memphis, Haryana and Lyon).

#### **RISKS SPECIFIC TO THE EBRO FOODS GROUP**

**Risks to production assets.** The exposure of the Group's principal assets to catastrophic natural events such as earthquakes and floods is limited. Also, all the Group companies insure all of their assets, capital goods and inventories by taking out the related policies.

**Country risk.** The Group carries on activities in certain countries classified as "developing countries". This situation means that certain investments are affected by the typical risks associated with these countries such as possible political changes that might affect market conditions, restrictions on the movement of capital, nationalisation of assets or devaluations of reference currencies. Ebro Food's presence in these countries is limited and in most cases it is restricted to taking positions to optimise supply (primarily rice). In view of these possible contingencies, the Group opted to diversify the risks with a presence in Europe, the Americas, Asia (Thailand and India) and Africa (Morocco and Egypt).

**Risk related with the Group's growth strategy.** The Group's strategy to be leaders in "Meal Solutions" entails the possibility of making certain acquisitions. These acquisitions can have a negative impact if there is a failure to fully integrate the companies, brands and processes acquired both from a standpoint of possible interruptions in the generation of cash flow and from an accounting standpoint through impairment losses on the assets acquired. To combat this situation, Ebro Foods implements certain practices to minimise acquisition risk, most notably including:

- ❖ Performance of due diligence reviews with firms of renowned prestige.
- ❖ Negotiation of the end price based on risk analysis.
- ❖ Request for guarantees until the resolution of litigation or the definitive clarification of the risk.
- ❖ Deferred payment or bank guarantee in the event of possible contingencies.

Also, certain investment alternatives (organic growth) may represent a risk if the expected success is not achieved. In order to cater for these risks, all the investment projects include risk analysis, which enables them to be assessed on an economic and strategic basis, prior to taking any decisions. These decisions are taken by the corresponding body, on the basis of the established limits, and the most significant projects (those amounting to more than EUR 2 million) require the approval of the Board of Directors.

**Risk related with the R&D+I technological delay.** Through its research and development subsidiaries, the Group supports its main business lines by facilitating product and process development and innovation. The practical application is guaranteed through the constant launch of a broad line of products supported through sufficient advertising and promotional coverage.

**Occupational risk.** This relates to both attracting human resources and limiting labour risks. Accordingly, the Group promotes both personal incentive and remuneration schemes for the main executives tied to results and fosters the improvement of working conditions. There are also specific programmes designed to promote an enhanced working environment and to maximise protection levels, which most notably include training courses for Group employees.

#### **FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

The Group's principal financial instruments include bank loans, bank overdraft facilities, equity instruments, cash and short-term deposits. Also, the Group has other financial assets and liabilities such as trade receivables and payables.

These financial instruments give rise to market risks due to changes in interest rates, exchange rates or the fair value of certain financial instruments, liquidity risk and credit risk.

In order to manage the foreign currency and interest rate risk arising from the Group's operations and, on occasions, the risk relating to possible changes in the price of certain raw materials (gas), the Group arranges derivatives, basically in the form of interest rate and foreign currency forwards and options, or non-derivatives (financing in foreign currencies) to minimise or mitigate the risk.

The accounting policies used to measure these financial instruments are described in Note 3 to these consolidated financial statements.

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

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

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

The Group manages its borrowing costs by using, where necessary, a combination of floating and fixed interest rates. The Group minimises its exposure to this risk and to do so it closely monitors the changes in interest rates with the support of external experts. When it is deemed necessary, the Group arranges derivative financial instruments on interest rates. These derivative instruments are designed to hedge underlying payment obligations.

See Note 28 to the accompanying consolidated financial statements for information on the Group's financial instruments exposed to interest rate risk.

#### **Foreign currency risk**

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

As a result of the significant investments in the US, the Group's balance sheet could be significantly affected by fluctuations in the USD/EUR exchange rate.

The ultimate objective of the exchange-rate risk management policy is to offset (at least partially) the potential fall in the value of assets denominated in currencies other than the euro by savings due to decreases in value of the liabilities in these currencies.

The Group endeavours to mitigate the effect of its structural foreign currency risk by obtaining loans in US dollars and, accordingly, most of its investments in the US are hedged in this way.

At 31 December 2012, "Other Loans" included two loans totalling USD 301 million (31 December 2011: USD 374 million) (see Note 22) which were designated as hedges of net investments in the US subsidiaries and are used to hedge the Group's exposure to foreign currency risk on these investments. The gains or losses on the translation to euros of these loans are recognised in equity to offset any gains or losses on the translation of the net assets at these subsidiaries.

In addition, the Group is exposed to foreign currency risk on its transactions. This risk arises from purchases and sales made by the operating units in currencies other than the functional currency.

In relation to important transactions, the Group uses forward foreign currency contracts to eliminate or minimise foreign currency risk. These contracts must be stated in the same currency as the item that is being hedged and they must not be arranged until the definitive contract is entered into, in order to obtain the best possible correlation with the hedged underlying.

As indicated in the preceding paragraph, certain Rice Business companies (Herba, S&B Herba, TBA Sundra, Boost and Euryza) and Pasta Business companies (Panzani) have foreign currency forward contracts and foreign currency options (foreign currency swaps) to mitigate the exposure of their commercial transactions. These transactions are carried out in order to minimise foreign currency risk although they do not qualify for hedge accounting.

See Note 28 to the accompanying consolidated financial statements for information on the Group's financial instruments exposed to foreign currency risk.



**Price risk of other financial assets**

The Group is exposed to changes in the price of certain financial assets and liabilities. The most significant effect relates to the shares of Deoleo, S.A. and Biosearch, S.A., which are recognised as available-for-sale financial assets in the consolidated balance sheet for the year ended 31 December 2012 (see Note 12). Changes in their fair value are recognised in the income statement from 30 June 2012 onwards, when it is considered that they had suffered permanent impairment.

**Liquidity risk**

The Group's objective is to match the maturities of its payables to its ability to generate cash flows to settle these obligations. In order to achieve this, it maintains a balance between continuity of the financing and flexibility through the use of revolving credit policies, bank loans that may include grace periods to adapt them to the return on the related assets, and forward purchase contracts.

Note 22 to the accompanying consolidated financial statements includes a breakdown of the liabilities at 31 December 2012 and their maturities.

**Credit risk (counterparty)**

This risk arises when a counterparty fails to meet its contractual obligations resulting in a financial loss for the Group.

The risk is mitigated through an appropriate selection policy in relation to the transactions and banks that act as a counterparty in these transactions based on their credit ratings and obtaining sufficient guarantees to mitigate this risk.

The Group's policy with respect to commercial transactions has always been conservative and there are risk committees that regularly assess the situation, the open positions and the automatic alerts implemented in the systems, which historically have led to low bad debt rates. Also, the commercial and collection management departments work together on a coordinated basis and take into account the credit ratings awarded by the credit insurance companies with which the Group works, which provide the last line of guarantee. The Group's high level of geographical diversification reduces the concentrations of credit risk at the Group arising from this type of transaction.

## **7. INFORMATION ON THE ENVIRONMENT**

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The information on the environment is included in Note 29 to the accompanying consolidated financial statements.

## 8. EVENTS AFTER THE REPORTING PERIOD

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

On 13 March 2013, the Ebro Group entered into an agreement to acquire a rice production plant in Haryana, India, which was owned by Olam International, an integrated supplier of agricultural products and food ingredients based in Singapore. This modern, cutting-edge rice production plant has a capacity to process 18 tonnes of paddy per hour, more than 100,000 tonnes of rice per year. In addition to the industrial assets, all of its employees and its sales network will be transferred to the Ebro Group. The agreed-upon price for this transaction amounted to USD 14.5 million and is expected to be completed at the end of March 2013, subject to the approval of the regulatory authorities.

No other significant events took place between the reporting date and the authorisation for issue of this consolidated directors' report.

**EBRO 2012**

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**FINANCIAL**

**INFORMATION**

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**CORPORATE SOCIAL**

**RESPONSIBILITY**

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**CORPORATE**

**GOVERNANCE**

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**ANNUAL CORPORATE GOVERNANCE REPORT**

**CONSOLIDATED ANNUAL ACCOUNTS**

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# ANNUAL CORPORATE GOVERNANCE REPORT

**LISTED COMPANIES**

**DETAILS OF ISSUER**

**YEAR ENDED: 31/12/2012**

**TAX REGISTRATION NUMBER: A47412333**

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

## ANNUAL CORPORATE GOVERNANCE REPORT LISTED COMPANIES

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

### A. OWNERSHIP STRUCTURE

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

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

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

NO

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

Name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	Interest / total voting rights (%)
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES	0	15,880,688	10.321
CORPORACIÓN ECONÓMICA DAMM, S.A.	15,000,000	0	9.749
SOCIEDAD ANÓNIMA DAMM	0	15,000,000	9.749
ALBA PARTICIPACIONES, S.A.	12,625,080	0	8.205
CORPORACIÓN FINANCIERA ALBA, S.A.	0	12,625,080	8.205
HISPAFOODS INVEST S.L.	10,707,282	0	6.959

Name of shareholder	Number of direct voting rights	Number of indirect voting rights (*)	Interest / total voting rights (%)
UBS, AG	4,976,689	384,832	3.485

Name of indirect holder of the interest	Through: Name of direct holder of the interest	Number of direct voting rights	Interest / total voting rights (%)
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES	ALIMENTOS Y ACEITES, S.A.	15,880,688	10.321
SOCIEDAD ANÓNIMA DAMM	CORPORACIÓN ECONÓMICA DAMM, S.A.	15,000,000	9.749
CORPORACIÓN FINANCIERA ALBA, S.A.	ALBA PARTICIPACIONES, S.A.	12,625,080	8.205

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

Name of shareholder	Date of transaction	Description of the transaction
LOLLAND, S.A.	22/11/2012	Interest lowered to below 3% of the capital
CASA GRANDE DE CARTAGENA, S.L.	22/11/2012	Interest lowered to below 3% of the capital
UBS, AG	10/12/2012	Interest raised to over 3% of the capital

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

Name of director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights held
ANTONIO HERNÁNDEZ CALLEJAS	30	0	0.000
DEMETRIO CARCELLER ARCE	0	39,898	0.026

Name of director	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights held
ALIMENTOS Y ACEITES, S.A.	15,880,688	0	10.321
EUGENIO RUIZ-GÁLVEZ PRIEGO	153	0	0.000
FERNANDO CASTELLÓ CLEMENTE	2,307,828	0	1.500
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	13,725,601	10,707,282	15.879
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	303,030	1,724,249	1.318
JOSÉ ANTONIO SEGURADO GARCÍA	1,010	0	0.001
JOSÉ NIETO DE LA CIERVA	8,969	2,044	0.007
MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	10	0	0.000
SOL DAURELLA COMADRÁN	0	1,320,571	0.858

Name of indirect holder of the interest	Through: Name of direct holder of the interest	Number of direct voting rights	% of total voting rights
DEMETRIO CARCELLER ARCE	INVERSIONES LAS PARRAS DE CASTELLOTE, S.L.	39,898	0.026
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HISPAFOODS INVEST, S.L.	10,707,282	6.959
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	LA FUENTE SALADA, S.L.	1,320,209	0.858
SOL DAURELLA COMADRÁN	BEGINDAU, S.L.	1,267,289	0.824
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	MENDIBEA 2002, S.L.	404,040	0.263
SOL DAURELLA COMADRÁN	SURFUP SICAV, S.A.	52,878	0.034
JOSÉ NIETO DE LA CIERVA	M MACARENA AGUIRRE GALATAS	2,044	0.001
SOL DAURELLA COMADRÁN	JOSÉ ALBIOL DAURELLA	202	0.000
SOL DAURELLA COMADRÁN	SOL VILARRUBI DAURELLA	202	0.000

<b>Total % of voting rights held by board members</b>	<b>29.910</b>
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Complete the following tables on directors with stock options in the company:

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

**Type of relationship:**

Corporate

**Brief description:**

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

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

**Type of relationship:**

Corporate

**Brief description:**

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

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

**Type of relationship:**

Corporate

**Brief description:**

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

Name of related parties
SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES

**Type of relationship:**

Corporate

**Brief description:**

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

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



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

NO

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

NO

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

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

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

NO

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

At year-end:

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

(\*) Through:

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

Date of communication	Total direct shares acquired	Total indirect shares acquired	% of capital
14/12/2012	1,218,627	0	0.789
<b>Gain/(loss) obtained during the year on trading in own shares (thousand euro)</b>			<b>2,751</b>

**A.9. Indicate the term and conditions of the authorisation granted by the General Meeting to the Board to buy or sell own shares**

The Annual General Meeting of Shareholders held on second call on 15 June 2011 resolved, under item five on the agenda, to authorise the Board of Directors to buy back own shares and reduce the company's capital and to authorise subsidiaries to acquire shares in the parent company, by purchase or on any other payment basis, subject to the limits and other requisites stipulated in law.

**a. Conditions of the authorisation**

Authorisation to the Board of Directors to buy back own shares and authorisation of subsidiaries to acquire shares in the parent company, by purchase or on any other payment basis, on one or several occasions, subject to the limits and other requisites stipulated in sections 146, 509 and other applicable provisions of the Corporate Enterprises Act:

- The par value of the shares acquired directly or indirectly, when added to the par value of any shares already held by the company and its subsidiaries, may not at any time exceed 10% of the capital.
- The acquisition, including any shares that the company, or any person acting in his own name but on behalf of the company, has acquired earlier and holds as treasury stock, does not reduce the equity to below the amount of capital plus legal or statutory undistributable reserves. For this purpose, equity shall be the amount calculated as such according to the criteria for drawing up the annual accounts, less any profits attributed directly thereto and plus any uncalled subscribed capital and the par value and share premiums of any subscribed capital that is accounted for as liabilities.
- The shares acquired must be fully paid up.
- The minimum and maximum price of the acquisition must be equivalent to the par value of the own shares bought back and their market price on an official secondary market, respectively, at the time of purchase.

**b. Contents of the authorisation**

- Authorisation of the Board to buy back own shares, by virtue of a direct decision or through delegation to the Executive Committee or such person or persons as the Board may authorise for this purpose, to hold those shares as treasury stock, dispose of them or, as the case may be, propose their redemption to the General Meeting, subject to the limits stipulated in law and the conditions established in this resolution. The authorisation is extended to the possibility of buying back own shares for delivery directly to employees or directors of the company or its group, on one or several occasions, or upon exercise of any stock options that they may hold, pursuant to s. 146.1.a), paragraph 3, of the Corporate Enterprises Act.
- Authorisation of the Board to reduce the capital in order to redeem shares bought back by the company or acquired by any of the companies in its group, against the capital (for their par value) and unappropriated reserves (for the amount of their acquisition in excess of that par value), in such amounts as may be deemed fit from time to time, up to the maximum of the own shares held from time to time.

- Delegation to the Board to execute the resolution to reduce the capital, so that it may do so on one or several occasions or decline to do so, within a period not exceeding 5 years from the date of this General Meeting, taking whatsoever actions may be necessary for this purpose or required by prevailing legislation.

c. Term of the authorisation

- The authorisation is granted for a maximum of five years from the date of the General Meeting.

The resolutions transcribed rendered null and void the corresponding resolutions adopted at the General Meeting held on 1 June 2010 and remain in force, not having been since revoked.

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

NO

Maximum percentage of voting rights that one shareholder may exercise by legal restriction	0
--	---

State whether the articles of association establish any restrictions on the exercise of voting rights:

NO

Maximum percentage of voting rights that one shareholder may exercise by restriction in the articles of association	0
---	---

State whether there are any legal restrictions on the acquisition or disposal of shares in the capital:

NO

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

NO

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

## B. MANAGEMENT STRUCTURE OF THE COMPANY

### B.1. Board of Directors

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

<b>Maximum number of directors</b>	15
<b>Minimum number of directors</b>	7

B.1.2. Give details of the board members:

<b>Name of director</b>	<b>Representative</b>	<b>Position on Board</b>	<b>Date first appointment</b>	<b>Date latest appointment</b>	<b>Election procedure</b>
ANTONIO HERNÁNDEZ CALLEJAS	-	CHAIRMAN	21/01/2002	01/06/2010	VOTE AT AGM
DEMETRIO CARCELLER ARCE	--	VICE-CHAIRMAN	01/06/2010	01/06/2010	VOTE AT AGM
ALIMENTOS Y ACEITES, S.A.	CARLOS GASCÓ TRAVESEDO	DIRECTOR	23/07/2004	01/06/2010	VOTE AT AGM

Name of director	Representative	Position on Board	Date first appointment	Date latest appointment	Election procedure
EUGENIO RUIZ-GÁLVEZ PRIEGO	--	DIRECTOR	25/07/2000	01/06/2010	VOTE AT AGM
FERNANDO CASTELLÓ CLEMENTE	--	DIRECTOR	29/05/2012	29/05/2012	VOTE AT AGM
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	FÉLIX HERNÁNDEZ CALLEJAS	DIRECTOR	01/06/2010	01/06/2010	VOTE AT AGM
JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL	--	DIRECTOR	29/05/2012	29/05/2012	VOTE AT AGM
JOSÉ ANTONIO SEGURADO GARCÍA	--	DIRECTOR	29/05/2012	29/05/2012	VOTE AT AGM
JOSÉ NIETO DE LA CIERVA	--	DIRECTOR	29/09/2010	15/06/2011	VOTE AT AGM
MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	--	DIRECTOR	23/02/2006	01/06/2010	VOTE AT AGM
RUDOLF-AUGUST OETKER	--	DIRECTOR	01/06/2010	01/06/2010	VOTE AT AGM
SOL DAURELLA COMADRÁN	--	DIRECTOR	01/06/2010	01/06/2010	VOTE AT AGM

<b>Total number of directors</b>	12
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Indicate any retirements from the board during the year:

Name of director	Type of director at time of retirement	Date of retirement
JOSE BARREIRO SEOANE	INDEPENDENT	29/05/2012
LEOPOLDO DEL PINO Y CALVO-SOTELO	PROPRIETARY	28/11/2012

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

#### EXECUTIVE DIRECTORS

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

Total number of executive directors	1
% of board	8.333

#### NON-EXECUTIVE PROPRIETARY DIRECTORS

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

Total number of proprietary directors	6
% of board	50.000

## NON-EXECUTIVE INDEPENDENT DIRECTORS

### Name of Director

FERNANDO CASTELLÓ CLEMENTE

### Profile

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

### Name of Director

JOSÉ IGNACIO COMENGE SÁNCHEZ-REAL

### Profile

Born in San Sebastián. Economist and graduate in International Banking. Extensive experience in the financial sector, director and executive positions in several financial institutions and insurance companies, such as Banco Hispano Americano, Mutua Madrileña and Axa Winterthur, among others. Chairman of Rexam Ibérica and Arbitraje & Inversiones S.L.

### Name of Director

JOSÉ ANTONIO SEGURADO GARCÍA

### Profile

Born in Barcelona. Studied Law and Economics and is an Insurance Broker and Entrepreneur. Chairman of SEFISA, AEF and AEIM. Joint founder of CEIM and CEOE. President of the Liberal Party and MP in the National Government in the III and IV Parliamentary Terms. Member of the Trilateral Commission. Director of Unión y Fénix, Acerinox, J.W.Thompson and Vusa. Currently Chairman of SyG and of the Advisory Council of Alkora, Honorary Chairman & Founder of CEIM and member of the Management Board and Executive Committee of CEOE. Grand Cross of the Order of 2 May awarded by the Community of Madrid.

### Name of Director

SOL DAURELLA COMADRÁN

### Profile

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

<b>Total number of independent directors</b>	4
<b>% of board</b>	33.333

## OTHER NON-EXECUTIVE DIRECTORS

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

<b>Total number of other non-executive directors</b>	1
<b>% of board</b>	8.333

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

**Name of Director**

EUGENIO RUIZ-GÁLVEZ PRIEGO

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

AZUCARERA EBRO, S.L.U.

**Profile**

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

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

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

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

NO

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

YES

**Name of Director**

JOSÉ BARREIRO SEOANE

**Reasons for retirement**

Professional reasons

**Name of Director**

LEOPOLDO DEL PINO Y CALVO-SOTELO

**Reasons for retirement**

The significant shareholder that proposed his appointment reduced its interest to less than 3%.



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

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

<b>Name of director</b>	<b>Name of Group company</b>	<b>Position</b>
ANTONIO HERNÁNDEZ CALLEJAS	A W MELLISH LIMITED	JOINT & SEVERAL DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	AMERICAN RICE, INC.	CHAIRMAN
ANTONIO HERNÁNDEZ CALLEJAS	ANGLO AUSTRALIAN RICE LIMITED	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	ARROZEIRAS MUNDIARROZ. S.A.	CHAIRMAN
ANTONIO HERNÁNDEZ CALLEJAS	BERTOLINI IMPORT UND EXPORT, GMBH	JOINT & SEVERAL DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	BIRKEL TEIGWAREN, GMBH	JOINT & SEVERAL DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	BLUE RIBBON MILLS, INC.	CHAIRMAN
ANTONIO HERNÁNDEZ CALLEJAS	BOOST NUTRITION, C.V.	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	BOSTO PANZANI BELGIUM	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	DANRICE, A/S	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	EBRO AMERICA, INC.	CHAIRMAN
ANTONIO HERNÁNDEZ CALLEJAS	FUNDACIÓN EBRO FOODS	TRUSTEE
ANTONIO HERNÁNDEZ CALLEJAS	HEAP COMET LIMITED	JOINT & SEVERAL DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	HERBA GERMANY, GMBH	JOINT & SEVERAL DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	JOSEPH HEAP & SONS LIMITED	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	JOSEPH HEAP PROPERTY LIMITED	JOINT & SEVERAL DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	NC BOOST, N.V.	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	NEW WORLD PASTA COMPANY	CHAIRMAN
ANTONIO HERNÁNDEZ CALLEJAS	PANZANI, S.A.S.	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	RIVIANA FOODS, INC.	CHAIRMAN

Name of director	Name of Group company	Position
ANTONIO HERNÁNDEZ CALLEJAS	SB HERBA FOODS LIMITED	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	SOS CUETARA USA, INC	CHAIRMAN
ANTONIO HERNÁNDEZ CALLEJAS	T.A.G. NAHRUNGSMITTEL, GMBH	JOINT & SEVERAL DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	VOGAN LIMITED	DIRECTOR
MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	FUNDACIÓN EBRO FOODS	CHAIRMAN OF BOARD OF TRUSTEES

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

Name of Director	Listed Company	Position
ANTONIO HERNÁNDEZ CALLEJAS	DEOLEO, S.A.	DIRECTOR
DEMETRIO CARCELLER ARCE	GAS NATURAL SDG, S.A.	DIRECTOR
DEMETRIO CARCELLER ARCE	SOCIEDAD ANÓNIMA DAMM	CHAIRMAN
DEMETRIO CARCELLER ARCE	SACYR VALLEHERMOSO, S.A.	VICE-CHAIRMAN 1
EUGENIO RUIZ-GÁLVEZ PRIEGO	PROSEGUR, COMPAÑÍA DE SEGURIDAD, S.A.	DIRECTOR
EUGENIO RUIZ-GÁLVEZ PRIEGO	CORPORACIÓN FINANCIERA ALBA, S.A.	DIRECTOR
JOSÉ NIETO DE LA CIERVA	CORPORACIÓN FINANCIERA ALBA, S.A.	DIRECTOR
SOL DAURELLA COMADRÁN	ACCIONA, S.A.	DIRECTOR
SOL DAURELLA COMADRÁN	BANCO DE SABADELL, S.A.	DIRECTOR

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

YES

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

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

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

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

a) In the reporting Company:

<b>Emoluments</b>	<b>Thousand euro</b>
Non-variable remuneration	682
Variable remuneration	955
Attendance fees	306
Emoluments stipulated in articles of association	2,565
Stock options and/or options over other financial instruments	0
Others	0

<b>Total</b>	<b>4,508</b>
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<b>Other Benefits</b>	<b>Thousand euro</b>
Advances	0
Loans granted	0
Pension Funds and Schemes: Contributions	0

Pension Funds and Schemes: Obligations contracted	0
Life assurance premiums	0
Guarantees furnished by the company for directors	0

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

Emoluments	Thousand euro
Non-variable remuneration	0
Variable remuneration	0
Attendance fees	48
Emoluments stipulated in articles of association	0
Stock options and/or options over other financial instruments	0
Others	0

<b>Total</b>	<b>51</b>
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Other Benefits	Thousand euro
Advances	0
Loans granted	0
Pension Funds and Schemes: Contributions	0
Pension Funds and Schemes: Obligations contracted	0
Life assurance premiums	0
Guarantees furnished by the company for directors	0

c) Total emoluments by type of director:

Types of Directors	Company	Group companies
Executive	1,637	0
Non-executive proprietary	1,832	48
Non-executive independent	872	0
Other non-executive	167	0
<b>Total</b>	<b>4,508</b>	<b>48</b>

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

<b>Total directors' emoluments (thousand euro)</b>	4,556
<b>Total directors' emoluments / profit attributed to parent company (%)</b>	2.9

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

Name	Position
ANA MARÍA ANTEQUERA PARDO	MANAGER COMMUNICATIONS
LEONARDO ÁLVAREZ ARIAS	MANAGER I.T.
PABLO ALBENDEA SOLÍS	MANAGER COORDINATION
ALFONSO FUERTES BARRÓ	MANAGER ECONOMY
GABRIEL SOLÍS PABLOS	TAX MANAGER
MIGUEL ANGEL PÉREZ ÁLVAREZ	SECRETARY
YOLANDA DE LA MORENA CEREZO	VICE-SECRETARY
GLORIA RODRÍGUEZ PATA	MANAGER CORPORATE ASSETS
JESÚS DE ZABALA BAZÁN	MANAGER INTERNAL AUDIT
MANUEL GONZÁLEZ DE LUNA	MANAGER INVESTOR RELATIONS
<b>Total remuneration top management (thousand euro)</b>	<b>4,500</b>

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

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

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

<b>Process for establishing directors' emoluments and the relevant articles of the articles of association</b>
<p>The remuneration of Board members is regulated in Article 22 of the company's Articles of Association which establishes the following process:</p> <p>When approving the company's accounts for the previous year, the general meeting shall set aside for the directors a share of 2.5% (two and a half per cent) of the consolidated profits attributable to the company, although this sum may only be taken from the company's net profit for the year and after meeting the legal reserve requirements, setting aside for the shareholders the minimum dividend established in prevailing legislation and meeting all and any other priority assignments required by law. The directors may waive this remuneration, in full or in part, when drawing up the accounts.</p> <p>The board shall distribute the aforesaid sum among its members, annually and at its discretion, according to the duties assumed by each director on the board.</p> <p>The directors shall also be entitled to a fee for attending meetings of the corporate bodies, the amount of which shall be established every year by the general meeting.</p> <p>Regardless of the nature of their legal relationship with the company, directors with executive duties will be entitled to remuneration for the performance of such duties, the amount of which shall be decided each year at the Annual General Meeting. This remuneration may contemplate welfare payments to cover any public/private pension schemes and insurance considered necessary or for retirement from office.</p> <p>In addition and independently of the emoluments contemplated in the preceding paragraphs, directors may receive remuneration in the form of shares, stock options or any other system of remuneration indexed to the price of the shares of the company or any other companies in its group. The general meeting shall decide if and when any of these remuneration systems are to be used, pursuant to the form, terms and conditions stipulated in law.</p> <p>If executive directors waive their share in the profits, as contemplated in the first paragraph of this Article 22 of the company's Articles of Association, the sums that would correspond to them as a share in the profits of the company will not be distributed among the remaining directors.</p> <p>On 28 February 2013, as proposed by the Nomination and Remuneration Committee, the Board resolved to freeze the statutory share in the 2012 profits at the amount agreed for 2011 and 2010, so a proposal will be put to the AGM to pay a sum of 2,565,454 euro and apply to such remuneration a percentage of 1.62% of the consolidated net profit attributed to the company in 2012.</p>

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

As regards the distribution of the share in profits among the different members of the Board according to the duties assumed by each of the directors on the board and its different committees, the scale applicable for 2012, after the latest review by the Board upon recommendation by the Nomination and Remuneration Committee, is as follows:

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

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

State whether the following decisions are reserved for approval by the full Board:

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

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

YES

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

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

YES

<b>Issues contemplated in the remuneration policy</b>
<p>1. Background</p> <p>2. Internal regulations applicable</p> <p>3. Remuneration policy for 2012</p> <p>3.1 Share stipulated in articles of association</p> <p>3.2 Attendance fees for meetings of corporate bodies</p> <p>3.3 Executive directors</p> <p>3.4 Supplementary life or retirement insurance</p> <p>3.5 Summary chart</p> <p>3.6 Details of individual remuneration earned by each of the directors (thousand euro)</p> <p>4. Remuneration policy for future years</p> <p>5. Other information</p>

<b>Role of the Remuneration Committee</b>
Examined and issued a favourable report on the Report on the Directors' Remuneration Policy for 2012, to be submitted to the Board.

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

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

Name of director	Name of significant shareholder	Position
DEMETRIO CARCELLER ARCE	SOCIEDAD ANÓNIMA DAMM	CHAIRMAN
DEMETRIO CARCELLER ARCE	CORPORACIÓN ECONÓMICA DAMM, S.A.	CHAIRMAN
EUGENIO RUIZ-GÁLVEZ PRIEGO	CORPORACIÓN FINANCIERA ALBA, S.A.	DIRECTOR
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HISPAFOODS INVEST, S.L.	DIRECTOR
JOSÉ NIETO DE LA CIERVA	CORPORACIÓN FINANCIERA ALBA, S.A.	DIRECTOR
RUDOLF-AUGUST OETKER	SOCIEDAD ANÓNIMA DAMM	DIRECTOR



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

**Name of director**

ANTONIO HERNÁNDEZ CALLEJAS

**Name of significant shareholder**

HISPAFOODS INVEST S.L.

**Description of relationship**

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

**Name of director**

ANTONIO HERNÁNDEZ CALLEJAS

**Name of significant shareholder**

INSTITUTO HISPÁNICO DEL ARROZ, S.A.

**Description of relationship**

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

**Name of director**

DEMETRIO CARCELLER ARCE

**Name of significant shareholder**

SOCIEDAD ANÓNIMA DAMM

**Description of relationship**

DEMETRIO CARCELLER ARCE HAS AN INDIRECT HOLDING OF 0.684% IN SOCIEDAD ANÓNIMA DAMM

**Name of director**

ALIMENTOS Y ACEITES, S.A.

**Name of significant shareholder**

SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES

**Description of relationship**

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

**Name of director**

INSTITUTO HISPÁNICO DEL ARROZ, S.A.

**Name of significant shareholder**

HISPAFOODS INVEST S.L.

**Description of relationship**

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

**Name of director**

LEOPOLDO DEL PINO Y CALVO-SOTELO

**Name of significant shareholder**

CASA GRANDE DE CARTAGENA, S.L.

**Description of relationship**

LEOPOLDO DEL PINO Y CALVO-SOTELO HAS AN INDIRECT HOLDING OF 17.096% IN CASA GRANDE DE CARTAGENA, S.L.

**Name of director**

MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ

**Name of significant shareholder**

HISPAFOODS INVEST S.L.

**Description of relationship**

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

**Name of director**

MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ

**Name of significant shareholder**

INSTITUTO HISPÁNICO DEL ARROZ, S.A.

**Description of relationship**

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

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

YES

<b>Description of modifications</b>
<p>On 28 March 2012 the Board of Directors unanimously resolved to modify the Regulations of the Board, which had been in force since 2006, to adapt the contents to the new Articles of Association which, above all in view of the latest changes in the Corporate Enterprises Act, were to be laid before the following Annual General Meeting on 29 May 2012, at which they were approved.</p> <p>The modifications made to the Regulations of the Board were as follows:</p> <ul style="list-style-type: none"> <li>- Article 9 ("Board Meetings") was modified to adapt it to section 246 of the Corporate Enterprises Act.</li> <li>- Article 13 ("Audit and Compliance Committee") was modified to adapt it to Supplementary Provision 18 of the Securities Market Act and the regulation of the Financial Reporting Internal Control System. Point 5 of this article was also modified to adapt it to the Good Corporate Governance Recommendations.</li> <li>- Article 14 ("Nomination and Remuneration Committee") was adapted to adjust it to section 61 ter of the Securities Market Act and the Good Corporate Governance Recommendations.</li> <li>- Article 16 ("Management Committee") was altered to adapt it to current regulation of the Financial Reporting Internal Control System.</li> <li>- Article 33 ("Chairman of the Board") was modified to adapt it to the Good Corporate Governance Recommendations.</li> <li>- The duties of the Secretary of the Board were modified and set out in Article 35. This modification was made owing to the need to restructure the duties of the Secretary of the Board following the elimination from the Regulations of any mention of the Company Secretary.</li> <li>- Other alterations resolved included: (i) updating of the name to Ebro Foods, S.A. and the consequent elimination of the previous name Ebro Puleva, which still appeared in some articles of the Regulations; (ii) elimination of the positions of General Manager, Company Secretary and Legal Adviser; and (iii) other minor changes designed to homogenise the articles of the Regulations overall.</li> </ul>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

YES

Measures taken to limit risks
<p>With a view to establishing corrective measures in the Articles of Association to prevent excessive concentration of power in the Chairman when he is also the most senior executive of the company, Article 25 creates the figure of a Vice-Chairman appointed from among the non-executive directors to boost the management supervision and control duties.</p> <p>In accordance with this provision, the current Vice-Chairman of the Board, Demetrio Carceller Arce (non-executive proprietary director), performs the aforesaid duties.</p>

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

YES

<b>Explanation of the rules</b>
<p>The Regulations of the Board specify the events in which directors may request the calling of a board meeting or inclusion of items on the agenda; this power is not limited to independent directors.</p> <p>Article 9.2 of the Regulations establishes that one-third of the board members may, no less than six days prior to the scheduled date of the Board meeting, request the inclusion of any items they believe ought to be transacted.</p> <p>Article 9.5 of the Regulations states that the board may discuss and resolve on issues included on the agenda and any others that all the directors present and represented agree to transact.</p> <p>Article 25.2.b) stipulates that Directors shall also request meetings of the corporate bodies to which they belong whenever they consider this necessary in the interests of the Company, proposing whatever items they think should be included on the agenda.</p> <p>Finally, Article 33.1 provides that if the Chairman of the Board is also the chief executive of the company, a Vice-Chairman must be appointed from among the non-executive directors with the power to request the calling of a board meeting or the inclusion of new items on the agenda, who may organise meetings to coordinate non-executive directors and will direct the Chairman performance rating. If no Vice-Chairman is appointed, the Board shall authorise an independent director to perform those duties.</p>

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

NO

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

**Description of the resolution:**

Ordinary resolutions.

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

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

**Description of the resolution:**

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

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

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

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

NO

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

YES

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

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

NO

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

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

NO

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

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

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

NO

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

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

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

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

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

<b>Number of board meetings</b>	11
<b>Number of board meetings held without the chairman</b>	0

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

<b>Number of meetings of the Executive Committee</b>	7
<b>Number of meetings of the Audit Committee</b>	8
<b>Number of meetings of the Nomination and Remuneration Committee</b>	6
<b>Number of meetings of the Nomination Committee</b>	0
<b>Number of meetings of the Remuneration Committee</b>	0

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

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

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

NO

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

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

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

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

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

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

NO

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

<b>Appointment and removal procedure</b>
<p>The Secretary of the Board may or may not be a director, is appointed by the Board upon recommendation by the Nomination and Remuneration Committee, after ensuring that his/her professional profile is adequate to guarantee the best performance of the duties corresponding to this position by law, the Articles of Association and Regulations of the Board.</p> <p>The company has not established any procedure for removal of the Secretary of the Board other than that stipulated in law, although Article 24.3 of the Regulations of the Board submits the Secretary, regardless of whether or not he/she is also a director, to the same obligations as the directors of explaining to all the Board members the reasons for retirement or resignation prior to the end of his/her term of office.</p>

Does the Nomination Committee issue a report on the appointment?	YES
Does the Nomination Committee issue a report on the removal?	YES
Does the full Board approve the appointment?	YES
Does the full Board approve the removal?	YES

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

YES

Comments
<p>Article 35.2 of the Regulations of the Board provides that in addition to the duties assigned by law and the Articles of Association, the Secretary of the Board shall, in particular:</p> <p>a) Ensure that the Board's actions:</p> <ul style="list-style-type: none"> <li>- Conform to the text and spirit of the laws and statutory instruments, including those approved by the watchdogs.</li> <li>- Conform to the company Articles of Association and the Regulations of the General Meeting, the Board and any other regulations the company may have.</li> <li>- Take account of the recommendations on good governance accepted by the company.</li> </ul> <p>b) Keep all company documents, duly record the proceedings of meetings in the corresponding minute books and certify the resolutions of those corporate bodies of which he/she is Secretary.</p> <p>c) Channel, generally, the Company's relations with Directors in all matters concerning the functioning of the Board and the Committees he/she is on, following the instructions of the respective Chairman.</p> <p>d) Implement and facilitate exercise by the Directors of their right to information on the terms stipulated in these Regulations.</p>

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

Both the Articles of Association and the Regulations of the Board vest in the Audit and Compliance Committee the power, among others, to contact the auditors and receive information on any issues that may jeopardise their independence for examination by the Audit Committee, as well as any other issues relating to the auditing of accounts, and receive information from and exchange communications with the auditors in accordance with prevailing auditing standards and legislation.

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

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

- Propose to the Board, for submission to the General Meeting, the appointment of the external auditors and (i) their terms of contract, (ii) the scope of their commission and (iii) the renewal or revocation of their engagement.



- Ensure the independence of the auditors and the existence of a discussion procedure enabling the external auditors, the internal auditors and any other expert to notify the company of any significant weaknesses in internal control detected during the auditing of the annual accounts or any others in respect of which they may have acted.

- Issue a report annually, prior to issuance of the auditors' report, stating an opinion on the independence of the external auditors and pronouncing on the rendering of additional services.

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

NO

Outgoing auditor	Incoming auditor

Explain any disagreements with the outgoing auditor:

NONE

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

YES

	Company	Group	Total
<b>Cost of work other than auditing (thousand euro)</b>	48	207	255
<b>Cost of work other than auditing / Total amount invoiced by the auditors (%)</b>	17.910	14.340	14.900

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

NO

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

	Company	Group
Number of years in succession	4	4

	Company	Group
Number of years audited by current auditors / Number of years that the company has been audited (%)	18.2	18.2

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

Name of director	Name of company	% interest	Position or duties
ANTONIO HERNÁNDEZ CALLEJAS	DEOLEO, S.A.	0.001	DIRECTOR
ANTONIO HERNÁNDEZ CALLEJAS	INSTITUTO HISPANICO DEL ARROZ, S.A.	16.666	NO POSITION HELD
ALIMENTOS Y ACEITES, S.A.	BIOSEARCH, S.A.	1.738	NO POSITION HELD
INSTITUTO HISPANICO DEL ARROZ, S.A.	PESQUERÍAS ISLA MAYOR, S.A.	100.000	DIRECTOR
INSTITUTO HISPANICO DEL ARROZ, S.A.	ISLASUR, S.A.	100.000	DIRECTOR
INSTITUTO HISPANICO DEL ARROZ, S.A.	MUNDIARROZ, S.A.	100.000	DIRECTOR
INSTITUTO HISPANICO DEL ARROZ, S.A.	AUSTRALIAN COMMODITIES, S.A.	100.000	DIRECTOR
INSTITUTO HISPANICO DEL ARROZ, S.A.	DEHESA NORTE, S.A.	100.000	DIRECTOR
INSTITUTO HISPANICO DEL ARROZ, S.A.	EL COBUJÓN, S.A.	100.000	DIRECTOR
MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ	INSTITUTO HISPÁNICO DEL ARROZ, S.A.	16.666	NO POSITION HELD
RUDOLF-AUGUST OETKER	DR. AUGUST OETKER KG	12.500	CHAIRMAN

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

YES

Details of procedure
<p>The directors' right to counselling and information is regulated in Article 30 of the Regulations of the Board, which provides in 30.2 that:</p> <p>a. Any Director may, in the course of any specific duties commissioned to him on an individual level or within the framework of any of the Committees of the Board, request the Chairman to contract, at the Company's expense, such legal advisers, accountants, technical, financial or commercial experts or others as he may consider necessary, in order to assist him in the performance of his duties, provided such counselling is justified to resolve specific problems that are particularly complex and</p>

important.

b. Considering the circumstances of the specific case, the Chairman may (i) deny or authorise the proposal in a communication sent through the Secretary of the Board, who shall, provided the proposal is authorised, contract the expert in question; and (ii) put the proposal to the Board, which may refuse to finance the counselling if it considers it unnecessary for discharging the duties commissioned, or out of proportion with the importance of the matter, or if it considers that the technical assistance requested could be adequately provided by Company employees.

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

YES

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

B.1.43. Indicate, with details if appropriate, whether the company has established any rules obliging Directors to report and, if necessary, retire in any situations that could be detrimental to the prestige and reputation of the company:

YES

Explanation
<p>Article 22 of the Regulations of the Board, which regulates the incompatibilities of directors and establishes their obligations in respect of no competition, conflicts of interest and related-party transactions, also expressly stipulates that if a director is sued or tried for any of the offences contemplated in the applicable laws, the Board shall examine the case as soon as possible and decide, in consideration of the specific circumstances, whether or not the Director in question should remain in office, including a reasoned account in the Annual Corporate Governance Report.</p>

B.1.44. Has any member of the Board informed the company that he/she has been sued or brought to trial for any of the offences contemplated in s. 124 of the Corporations Act?

NO

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

NO

Decision adopted	Reasoned explanation

## B.2. Committees of the Board

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

### EXECUTIVE COMMITTEE

Name	Position	Type
ANTONIO HERNÁNDEZ CALLEJAS	CHAIRMAN	EXECUTIVE
DEMETRIO CARCELLER ARCE	MEMBER	PROPRIETARY
JOSÉ ANTONIO SEGURADO GARCÍA	MEMBER	INDEPENDENT
JOSÉ NIETO DE LA CIERVA	MEMBER	PROPRIETARY

### AUDIT COMMITTEE

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

**NOMINATION AND REMUNERATION COMMITTEE**

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

**STRATEGY AND INVESTMENT COMMITTEE**

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

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

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

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

#### **Name of committee**

STRATEGY AND INVESTMENT COMMITTEE

#### **Brief description**

The Strategy and Investment Committee has a minimum of three and a maximum of five Directors, including a Chairman, appointed by the Board of Directors in accordance with the company's Articles of Association. The Secretary of the Board is Secretary of this Commission, with voice but no vote, issuing minutes of the resolutions adopted. In the absence or temporary unavailability of the Chairman, he is provisionally substituted by a Committee member nominated by the Committee, or otherwise by the oldest Committee member.

The Committee meets whenever called by its Chairman or at the request of two of its members and whenever the Board requests the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties. Notices of call are issued by the Secretary following instructions of the Chairman. Whenever the Committee so requests its Chairman, its meetings may be attended by any member of the management team of the Company, who may speak but not vote. At the following Board meeting, the Chairman of the Strategy and Investment Committee reports on all resolutions, reports or proposals made by the Committee since the previous Board meeting. Directors have access to the minutes of Committee meetings, through the Secretary of the Board. The Strategy and Investment Committee studies, issues reports, reviews and submits proposals for the Board on the following matters: a) setting of targets for growth, yield and market share of the company; b) development plans, new investments and strategic restructuring processes; and c) coordination with subsidiaries in the matters contemplated in a) and b), for the common interest and benefit of the Company and its subsidiaries. In the performance of its duties, it may, where necessary, obtain information and collaboration from the members of the Company management, through the Chairman of the Committee.

#### **Name of committee**

NOMINATION AND REMUNERATION COMMITTEE

#### **Brief description**

The Nomination and Remuneration Committee has a minimum of three and a maximum of five non-executive Directors, appointed by the Board of Directors in accordance with the company articles of association. The Chairman is appointed by the Company from among its independent members and the Secretary of the Board is Secretary of this Commission, with voice but no vote, issuing minutes of the resolutions adopted.

In the absence or temporary unavailability of the Chairman, he is provisionally substituted by the member of the Committee appointed for this purpose by the Committee, or otherwise the oldest member of the Committee.

The Committee meets whenever called by its Chairman or at the request of two of its members and at least once every three months. It also meets whenever the Board requests the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties. Meetings are called by the Secretary of the Committee by order of the Chairman. Whenever the Committee so requests its Chairman, its meetings may be attended by any member of the company management, who may speak but not vote. At the following Board meeting, the Chairman of the Nomination and Remuneration Committee reports on all resolutions, reports or proposals made by the Committee since the previous Board meeting. Directors have access to the minutes of Committee meetings, through the Secretary of the Board.

The Committee studies, issues reports and submits proposals for the Board on the following matters: a) definition and revision, where necessary, of the criteria to be followed for the composition and structure of the Board and for selection of candidates to sit on the Board, informing always prior to the appointment of a director by cooptation or the submission of any proposals to the general meeting regarding the appointment or removal of directors; b) appointment of the Chairman, Vice-Chairman, Managing Director(s) and Secretary of the Board, and assignment of the directors to the Executive Committee, the Audit and Compliance Committee and the Strategy and Investment Committee, and appointment of the members of the Management Committee and such other advisory committees as the Board may create, and appointment and possible dismissal of senior executives and their termination benefit clauses; c) position of the Company regarding the appointment and removal of board members in subsidiaries; d) proposal of directors' emoluments, according to the system of remuneration established in the Articles of Association and the executive directors' relationship with the Company. The Committee shall also inform in advance on any resolution or proposal of the Board on the remuneration of directors and executives indexed to the value of the shares in the Company or its subsidiaries or consisting of the delivery of shares in the Company or its subsidiaries or the granting of options thereover; e) supervision of the senior management remuneration and incentives policy, obtaining information and reporting on the criteria followed by the Company's subsidiaries in this respect; f) assessment of the principles of the management training, promotion and selection policy in the parent company and, where appropriate, in its

subsidiaries; g) examination and organisation, as deemed adequate, of the succession of the Chairman and chief executive and, if appropriate, submission of proposals to the Board to ensure that such succession is made in an orderly, well-planned manner; and h) preparation and proposal of the Annual Report on Directors' Remuneration in accordance with the laws and regulations in place from time to time.

**Name of committee**

EXECUTIVE COMMITTEE

**Brief description**

In addition to the Chairman and the Vice-Chairman of the Board, other Directors shall sit on the Executive Committee, up to a maximum of seven members, with the composition stipulated in the Articles of Association. All the members of this Committee shall be appointed by the Board, which shall also specify what powers are delegated to it, in accordance with the Articles of Association and these Regulations, requiring votes in favour of at least two-thirds of the Board members to carry the relevant resolutions. Save otherwise resolved by the Board, all the powers of the Board that may be delegated according to law, the Articles of Association and these Regulations shall be deemed delegated to this Committee on its creation, subject to the constraints established in the good corporate governance recommendations in place from time to time. The Chairman and Secretary of the Board shall be Chairman and Secretary also of the Executive Committee. The Executive Committee shall generally hold one meeting a month. Its meetings may be attended by such members of the management, employees and advisers of the company as the Committee may deem fit. Without prejudice to the autonomy of decision of the Executive Committee in respect of the delegated powers, its resolutions being fully valid and effective without ratification by the Board, whenever circumstances so require, in the opinion of the Chairman or three members of the Committee, the resolutions adopted by the Executive Committee shall be submitted to the Board for ratification. This shall also be the case in matters which the Board has delegated the Committee to study, while reserving for itself the ultimate decision, in which case the Executive Committee shall merely submit the corresponding proposal to the Board. At the request of any Board members, the Directors shall be informed of all resolutions adopted by the Executive Committee since the previous Board meeting, and Directors shall have access to the minutes of Executive Committee meetings. The Executive Committee shall have the following powers: a) adopt resolutions corresponding to the powers delegated to it by the Board of Directors; b) monitor and supervise the day-to-day management of the company, ensuring adequate coordination with subsidiaries in the common interests of the latter and the company; c) study and propose to the Board of Directors the guidelines defining business strategy, supervising their implementation; d) debate and inform the Board on any issues corresponding to the following matters, regardless of whether or not they have been delegated by the Board: (i) separate and consolidated annual budget of the company, itemising the provisions corresponding to each line of business; (ii) monthly monitoring of the financial management, deviations from the budget and proposed remedial measures, if necessary; (iii) significant financial investments and investments in property, plant and equipment and the corresponding economic justification; (iv) alliances and agreements with other companies which, by virtue of their amount or nature, are important for the company; (v) financial transactions of a material economic significance for the company; (vi) assessment of the achievement of objectives by the different operating units of the company; (vii) monitoring and assessment of the subsidiaries in respect of the matters contemplated in this sub-section d); e) adopt resolutions corresponding to the acquisition and disposal of treasury stock by the Company, in accordance with the authorisation, if any, granted by the General Meeting. A Director may be designated to execute and formalise the decisions to buy or sell own shares, supervising and, if appropriate, authorising any resolutions that may be adopted by subsidiaries to buy and sell their own shares or shares in the Company, whenever such authorisation is required by law.

**Name of committee**

AUDIT COMMITTEE

**Brief description**

The Audit and Compliance Committee has a minimum of three and a maximum of five non-executive Directors appointed by the Board in accordance with the Articles of Association. The Board appoints one of the independent directors on the Committee to be Chairman, who must be replaced every four years, becoming eligible for re-election one year after his retirement as such. The Chairman of the Board may attend and participate in the meetings of this Committee, although he may not vote. In the absence of the Chairman, he is provisionally substituted by a Committee member nominated by the Committee, or otherwise by the oldest Committee member. The Secretary of the Board is Secretary of this Committee, with voice but no vote, issuing minutes of the resolutions adopted. The Audit and Compliance Committee meets as and when called by its Chairman, or at the request of two of its members and at least once every three months. It also meets whenever the Board requests the issuance of reports, submission of proposals or adoption of resolutions within the scope of its duties. Meetings are called by the Secretary of the Committee following instructions of the Chairman. Apart from the Committee members, any company executive may be called to meetings. Committee meetings are held at the registered office of the company, or wherever else may be decided by the Chairman and indicated in the notice of call, and shall be quorate when attended, in person or by

proxy, by the majority of its members. Resolutions are carried with the votes in favour of the majority of members attending the meeting. In the event of a tie, the Chairman, or acting chairman, has the casting vote. At the following Board meeting, the Chairman of the Audit and Compliance Committee reports on all resolutions, reports or proposals made by the Committee since the previous Board meeting. Directors have access to the minutes of Committee meetings, through the Secretary of the Board. The Audit and Compliance Committee has the following powers, in addition to those assigned to it in the Articles of Association or by law: a) supervise and promote internal control of the company and the risk management systems and submit recommendations to the Board regarding the risk management and control policy, specifying at least: (i) the types of risk (operating, technological, financial, legal and reputational) to which the company is exposed; (ii) the risk level that the company considers acceptable; (iii) the measures for mitigating the impact of identified risks, should they actually occur; (iv) the control and reporting systems used to control and manage those risks; b) supervise and promote the policies, procedures and systems used for drawing up and controlling the company's financial information, checking the services performed in this regard by the Internal Audit Department, the Financial Department and the Management Committee and making sure they are correctly distributed throughout the Group; c) receive the information sent regularly to the Stock Exchange Councils, issue prospectuses and any public financial information offered by the Company and, in general, all information prepared for distribution among shareholders, ensuring the existence of internal control systems that guarantee the transparency and truth of the information; d) ensure that the systems used for preparing the separate and consolidated Annual Accounts and Directors' Report submitted to the Board to be officially drawn up and authorised for issue in accordance with current legislation give a true and fair view of the equity, financial position and results of the Company and make sure that any interim financial statements are drawn up according to the same accounting principles as the annual accounts, considering the possibility of asking the external auditors to make a limited audit if necessary. In this respect, it shall also see that the internal control systems are adequate and effective in respect of the accounting practices and principles used for drawing up the company's annual accounts, supervising the policies and procedures established to ensure due compliance with applicable legal provisions and internal regulations. The Committee shall, through its Chairman, obtain information and collaboration from both the Internal Audit Manager and the External Auditors to perform these duties. Furthermore, whenever the Committee so requests its Chairman, its meetings may be attended by any member of the company management, who may speak but not vote; e) establish regular contact with the External Auditors to receive information on any issues that may jeopardise their independence, and any other issues relating to the auditing of accounts, receiving information from and exchanging communications with the External Auditors in accordance with prevailing auditing standards and legislation; f) be informed of the decisions adopted by the senior management according to recommendations made by the External Auditors in connection with the audit; g) report to the Board prior to the adoption of any decisions on related party transactions submitted for its authorisation; h) implement a confidential whistle-blowing channel accessible to all Group employees and a protocol for establishing priority, processing, investigating and solving any issues reported through that channel according to their importance and nature, paying special attention to those involving possible falsehood or misrepresentation in financial or accounting documents and possible fraud; and i) supervise compliance with the internal codes of conduct and rules of corporate governance and, in particular, oversee the implementation of and compliance with the internal regulations and codes applicable to the risk management and control systems in general and the financial reporting process in particular.

**Name of committee**

MANAGEMENT COMMITTEE

**Brief description**

The Board of Directors appoints a Management Committee consisting of the persons responsible for the principal management units and business areas of the Company and its subsidiaries and the executive directors proposed by the Nomination and Remuneration Committee, and presided by the Chairman of the Board or the Managing Director(s), if any. The Secretary of the Board is Secretary of this Committee. The Management Committee prepares and follows up decisions in the management of the Company, regarding strategy, budget, finance and personnel, and draws up business plans and oversees their implementation, defining the Company's position in respect of its subsidiaries on these matters. It also designs and implements an adequate, effective financial reporting internal control system, which will be submitted to the Board for approval, subject to a favourable report by the Audit and Compliance Committee. The Committee meets whenever called by its Chairman and in any case whenever the Board or Committees request the issuance of reports, submission of proposals or adoption of resolutions within the scope of their duties. Meetings are called by the Secretary following instructions from the Chairman.



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

**Name of committee**

STRATEGY AND INVESTMENT COMMITTEE

**Brief description**

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

**Name of committee**

NOMINATION AND REMUNERATION COMMITTEE

**Brief description**

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

**Name of committee**

EXECUTIVE COMMITTEE

**Brief description**

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

**Name of committee**

AUDIT COMMITTEE

**Brief description**

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

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

**Name of committee**

STRATEGY AND INVESTMENT COMMITTEE

**Brief description**

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

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

**Name of committee**

NOMINATION AND REMUNERATION COMMITTEE

**Brief description**

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

**Name of committee**

EXECUTIVE COMMITTEE

**Brief description**

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

**Name of committee**

AUDIT COMMITTEE

**Brief description**

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

**Name of committee**

MANAGEMENT COMMITTEE

**Brief description**

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

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

YES

## C. RELATED-PARTY TRANSACTIONS

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

YES

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

Name of significant shareholder	Name of company or group company	Relationship	Type of transaction	Amount (thousand euro)
SOCIEDAD ANÓNIMA DAMM	HERBA RICEMILLS, S.L.U.	CONTRACTUAL	Sale of goods (finished or otherwise)	4,896

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

Name of director or executive	Name of company or group company	Nature of the transaction	Type of transaction	Amount (thousand euro)
ANTONIO HERNÁNDEZ CALLEJAS	HERBA RICEMILLS, S.L.U.	CONTRACTUAL	Leases	36
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	BOOST NUTRITION, C.V.	CONTRACTUAL	Sale of goods (finished or otherwise)	945
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	BOOST NUTRITION, C.V.	CONTRACTUAL	Purchase of goods (finished or otherwise)	1,052
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	EURIZA GMBH	CONTRACTUAL	Sale of goods (finished or otherwise)	75
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	EURIZA GMBH	CONTRACTUAL	Purchase of goods (finished or otherwise)	75

Name of director or executive	Name of company or group company	Nature of the transaction	Type of transaction	Amount (thousand euro)
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HERBA FOODS, S.L.U.	CONTRACTUAL	Receipt of services	123
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HERBA RICEMILLS, S.L.U.	CONTRACTUAL	Sale of goods (finished or otherwise)	2,220
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HERBA RICEMILLS, S.L.U.	CONTRACTUAL	Sale of goods (finished or otherwise)	2,608
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HERBA RICEMILLS, S.L.U.	CONTRACTUAL	Leases	49
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HERBA RICEMILLS, S.L.U.	CONTRACTUAL	Purchase of goods (finished or otherwise)	7,966
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	HERBA RICEMILLS, S.L.U.	CONTRACTUAL	Rendering of services	1
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	SB HERBA FOODS LIMITED	CONTRACTUAL	Purchase of goods (finished or otherwise)	1,552
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	SB HERBA FOODS LIMITED	CONTRACTUAL	Sale of goods (finished or otherwise)	25
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	TBA SUNTRA UK, LTD	CONTRACTUAL	Sale of goods (finished or otherwise)	3
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	TBA SUNTRA, BV	CONTRACTUAL	Purchase of goods (finished or otherwise)	25
INSTITUTO HISPÁNICO DEL ARROZ, S.A.	TBA SUNTRA, BV	CONTRACTUAL	Purchase of goods (finished or otherwise)	323

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

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

YES

**Name of director**

ALIMENTOS Y ACEITES, S.A.

**Description of the conflict of interest**

Indirect interest of 1.738% in Biosearch, S.A., a company engaged in a business similar to the objects of Ebro Foods, S.A.

**Name of director**

ANTONIO HERNÁNDEZ CALLEJAS

**Description of the conflict of interest**

Interest of 0.001% and proprietary director in Deoleo, S.A., a listed company in which Ebro Foods, S.A. holds 9.333% of the capital, engaged in a business similar to the objects of Ebro.

Direct interest of 16.666% in Instituto Hispánico del Arroz, S.A., which is director and majority shareholder of Ebro Foods, with a holding of 15.879%, and is also engaged in a business similar to the objects of Ebro.

Finally, see section C.3 of this report concerning the related-party transaction made with a company in the Ebro Foods Group.

**Name of director**

INSTITUTO HISPÁNICO DEL ARROZ, S.A.

**Description of the conflict of interest**

Instituto Hispánico del Arroz, S.A. is engaged in a business similar to the objects of Ebro Foods, S.A. It has a holding of 15.879% in Ebro Foods S.A. (8.921% direct and 6.959% indirect, through Hispafoods Invest, S.L., which is wholly-owned by Instituto Hispánico del Arroz, S.A.).

It also wholly-owns and is director of the companies indicated in section B.1.40, all of which are engaged in a business similar to the objects of Ebro Foods.

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

**Name of director**

MARÍA BLANCA HERNÁNDEZ RODRÍGUEZ

**Description of the conflict of interest**

Direct interest of 16.666% in Instituto Hispánico del Arroz, S.A. which, as mentioned above, apart from being director and majority shareholder of Ebro Foods, with a holding of 15.879%, is also engaged in a business similar to the objects of Ebro.

**Name of director**

RUDOLF-AUGUST OETKER

**Description of the conflict of interest**

Interest of 12.5% in Dr. August Oetker KG, a company domiciled in Germany engaged in similar activities to Ebro Foods. He is Chairman of that company and on the board of other companies in the Oetker Group.

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

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

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

Under Article 6.5 of the Regulations of the Board, the Board is competent, once a favourable report has been issued by the Audit and Compliance Committee, to authorise any related-party transactions between the company or group companies and

directors, controlling shareholders, other related parties or shareholders represented on the board. This authorisation is not necessary when the transactions meet all of the following three conditions:

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

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

- Holding positions or duties of representation, management, counselling or rendering of services in rival companies or the holding or performance of such positions, duties or services in companies having a controlling stake in rival companies.
- Attendance and participation in the discussions of any of the corporate bodies concerning business in which the director personally, or a member of his/her family has an interest or a company in which the director has an executive position or a significant shareholding.
- Direct or indirect participation in related-party transactions with the company or other group companies without previously informing the Board and seeking its approval, except in the cases contemplated in Article 6.5 of these Regulations.

The article also bars from the board anyone who, personally or through an intermediary, holds office in or is a representative of or is otherwise related to companies that are habitual clients or suppliers of goods and services of the company, whenever this condition may give rise to a conflict or clash of interest with the Company or its subsidiaries; in such cases the Chairman shall be informed of the situation and request a report from the Audit and Compliance Committee. Financial institutions providing financial services for the company are excluded from the foregoing.

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

NO

Name the listed subsidiaries:

## D. RISK CONTROL SYSTEMS

### D.1. General description of the risk policy of the company and/or its group, including details and assessment of the risks covered by the system, together with proof that those systems adapt to the profile of each type of risk.

Article 9.1 of the Regulations of the Board establish that the Board shall receive information on the most important aspects of business management and any foreseeable risk situations for the Company and its subsidiaries, together with the actions proposed by the senior management in respect thereof. And Article 6.3, which addresses the board's scope of action, establishes in respect of the transparency and truth of the company's reporting, that the Board shall, as such and through its different Committees:

- Ensure the independence and professional suitability of the External Auditor.
- Supervise the services of the Internal Audit Department, overseeing the financial reporting process and internal control systems.
- Control the financial information disclosed to the shareholders or the markets in general.

In particular, the Audit and Compliance Committee is responsible for ensuring that the internal audit procedures, the internal control systems in general, including the risk management control system and, in particular, the financial reporting internal control system are adequate; that the external auditors and internal audit manager are selected on the basis of professional, objective criteria, guaranteeing their independence in the performance of their duties; informing the board on any related party

transactions submitted for its consideration; controlling possible conflicts of interest; and making sure, in general, that the company's reporting, particularly financial reporting, complies with the principle of truth and maximum transparency for shareholders and markets.

Guided by the conceptual framework of the "Committee of Sponsoring Organizations of the Treadway Commission" (COSO) report on internal control, the Ebro Foods Group has established systems for risk identification, assessment, management and reporting.

During 2011, a Group-wide risk map was drawn up using appropriate software. The map establishes a matrix of risks for the entire group and for each individual company, establishing the probabilities of occurrence, impact and protocols for action to mitigate those risks.

The ultimate purpose of these risk control systems is to defend the interests of our shareholders, customers, employees and social environment. At the same time, they provide a sustained guarantee of the corporate reputation and financial strength of the Ebro Foods Group.

These risk control systems cover all the activities performed by the Group, consisting essentially of the agro-industrial rice and pasta businesses. The risks covered by these systems affect food quality, environmental, supply, business, credit (or counterparty), regulatory, social and political, financial (exposure to exchange rate fluctuations), occupational and technological issues.

#### SUPPLY RISKS:

The Ebro Foods business depends on the supplies of commodities such as rice and durum wheat. There is a risk of not obtaining sufficient raw materials of an adequate quality to match the company's standards and at an adequate price.

The company acts in two ways to reduce this risk: diversifying our sources of supply, taking positions on the principal producing markets (Thailand, India, Egypt, Italy and Uruguay in rice, and USA and France in durum wheat) if we consider that this will give us a competitive edge; and reaching long-term supply agreements or collaboration agreements with the producers we consider important for our business.

The Group is a pioneer within its sector in the development and furtherance of R+D, environmental and food quality, and internal audit.

The Group has environmental and food quality, commercial or counterparty risk, occupational hazard prevention and research & development committees, which are responsible for preventing and mitigating the risks.

#### R+D AND FOOD QUALITY:

The Group's policy is based on the principle of compliance with the laws and regulations in place from time to time, for which it has defined, developed and implemented a quality, environment and food safety management system that complies with the requirements of the standards UNE-EN-ISO 9001:2000/8, UNE-EN-ISO 14001:2004 and ISO 22000:2005, certified in most of the Group's production centres in Europe, USA and Canada.

The food safety programmes are based on following protocols that seek to identify and control certain Hazard Analysis and Critical Control Points (HACCP) to minimise the residual risk.

The principal control points are grouped into:

- Physical: controls to detect materials alien to the product or the presence of metals.
- Chemical: detection of chemical elements or presence of allergens.
- Biological: presence of elements such as salmonella or other types of pathogen.

Most of our handling processes have obtained IFS (International Food Security) certification and the pasta plants in the United States have obtained compliance certification from the Global Food Safety Initiative (GFSI). In the United Kingdom, we are part of the BRC (British Retail Consortium).

The Group has also implemented several initiatives to reduce greenhouse gas emissions and atmospheric waste, improve the quality of water and reduce effluent, enhance energy and hydrological efficiency and has physical waste recycling programmes for paper, aluminium and other materials.

The company provides its employees with continuous, adequate training in food safety and the rules of safety and hygiene in the workplace.

The Group has taken out several insurance policies covering risks related with food safety.

All investment projects incorporate a risk analysis, to enable their economic and strategic assessment prior to decision-making. Decisions are adopted by the corresponding body according to the limits established, the largest projects requiring approval by the Board.

Finally, the Group is also exposed to another two types of risk: regulatory risk, subject to the guidelines established in the Common Agricultural Policy (CAP) and country or market risk.

These risks have been reduced over recent years, through a firm policy of business and geographical diversification, increasing our presence in Europe, America (United States and Canada), Asia (Thailand and India) and Africa (Egypt and Morocco).

D.2. Have any of the different types of risk (operating, technological, financial, legal, reputational, tax...) affecting the company and/or its group materialised during the year?

YES

If so, indicate the underlying circumstances and whether the control systems worked.

**Risk materialised during the year**

Reputational risk

**Underlying circumstances**

Presence of horsemeat in a licensed trademark in France, when the labelling states that it is beef.

**Functioning of the control systems**

The control systems of those risks worked properly.

**Risk materialised during the year**

Competition risk

**Underlying circumstances**

Loss of market share owing to a mistaken price policy at the beginning of the year in our US pasta subsidiary.

**Functioning of the control systems**

The control systems of those risks worked as planned.

D.3. Is there a Committee or other governing body responsible for establishing and supervising the control systems?

YES

If so, describe its duties:

**Name of committee or body**

Audit and Compliance Committee

**Description of duties**

- Supervise the efficiency of the company's internal control, internal audits, where appropriate, and risk management systems.
- Supervise and promote internal control of the company and the risk management systems and submit recommendations to the Board regarding the risk management and control policy, specifying at least:
  - . The types of risk (operating, technological, financial, legal and reputational) to which the company is exposed.
  - . The risk level that the company considers acceptable.
  - . The measures for mitigating the impact of identified risks, should they actually occur.
  - . The control and reporting systems used to control and manage those risks.

#### D.4. Identification and description of processes for compliance with the different regulations affecting the company and/or its group.

The Group has a set of internal rules and procedures for its different activities, which are fully in keeping with the applicable legal provisions.

During 2011 the Group designed a risk map. This risk map is based on a software tool through which information is input by the risk managers of each unit in each of the subsidiaries. In the process of pinpointing, assessment and management of risks, risks are ranked from greater to lesser impact for the Group and according to the probability of occurrence. The process assesses both the inherent risk and the residual risk after application of the internal controls and action protocols established to mitigate them. This model is both qualitative and quantitative and can be measured in the Group's results.

The Group has critical variables management systems in the area of food and environmental quality, which are in a constant process of continuous assessment and audit. The audit covers all production centres and the risk managers in each subsidiaries and the Audit and Compliance Committee are informed on the results.

The reports of the Group's Internal Audit Department are prepared by experts independent from the business management and the department sends its conclusions and recommendations to the management bodies of the Group subsidiaries and the Audit and Compliance Committee of the parent company, Ebro Foods, S.A., so that any remedies required may be taken and any necessary improvements implemented.

The board has also published a code of conduct and a corporate governance policy, by virtue of which we have been ahead of the legal requirements established from time to time.

Finally, we consider it important to mention that at the close of this Report the Group is in the process of setting up a whistle-blowing channel for confidential reports, accessible by all Group employees, and a protocol to prioritize, process, investigate and solve all reports according to their importance and nature, paying special attention to those concerning a possible financial or accounting misrepresentation or possible fraudulent activities.

## E. GENERAL MEETING

E.1. Indicate the quorums for General Meetings established in the Articles of Association and the differences, if any, in respect of the minimums stipulated in the Corporations Act.

NO

	<b>% quorum differing from that stipulated in the Corporations Act s. 102 for ordinary resolutions</b>	<b>% quorum differing from that stipulated in the Corporations Act s. 103 for special resolutions</b>
<b>Quorum required on 1st call</b>	0	0
<b>Quorum required on 2nd call</b>	0	0



E.2. Are there any differences in respect of the system stipulated in the Corporations Act for adopting corporate resolutions? If so, explain.

NO

What differences exist in respect of the system stipulated in the Corporations Act?

E.3. Describe any shareholders' rights in respect of General Meetings differing from those established in the Corporations Act.

The Regulations of the General Meeting contain and develop, in the articles indicated below, all the shareholders' rights in respect of general meetings stipulated in law, thus complying with the rules and recommendations for good governance:

- Shareholders' right to information is exhaustively regulated in Articles 5 and 6.
- Shareholders' right to attend and be represented by proxies is regulated in Article 7.
- Shareholders' right to participate is set out in Articles 11 and 12.
- Shareholders' voting right is regulated in Article 14.
- Finally, Article 18 establishes the shareholders' right to be informed of the resolutions adopted by the general meeting by the legal means of publication or through the company's website, where the full text of such resolutions must be published. Moreover, any shareholder may at any time obtain a certificate of the resolutions adopted and the minutes of the meeting.

E.4. Describe the measures adopted, if any, to encourage the participation of shareholders at General Meetings.

- Detailed, developed regulation of rights to information, attendance, proxy and voting contained in the Regulations of the General Meeting, as indicated above.
- Detailed notice of call to general meetings, clearly stating all the shareholders' rights and how they may be exercised.
- Publication of the corresponding notice in the Official Trade Registry Bulletin, on the company's website and on the website of the National Securities Market Commission, through the appropriate regulatory announcement.
- Holding of general meetings where shareholders can easily attend, in the best and most comfortable conditions possible.
- Assistance for shareholders through the Shareholders' Office, where the team responsible for Investor Relations and other qualified staff are available to provide any assistance required by shareholders.
- Delivery of gifts to shareholders to encourage them to go to general meetings.

E.5. Are General Meetings presided by the Chairman of the Board and what measures, if any, are taken to guarantee the independence and proper functioning of the General Meeting?

YES

### Details of measures

The Regulations of the General Meeting regulate a number of measures regarding the organisation and procedure of the general meeting to guarantee its independence and proper functioning.

Article 9 of said Regulations establishes the following measures in this regard:

- General meetings shall be presided by the Chairman of the Board, or, in his absence, by the Vice-Chairman, or otherwise by a director elected in each case by the shareholders attending the meeting.
- The Chairman shall be assisted by a Secretary, who shall be the Secretary of the Board, or the Vice-Secretary, if any, or otherwise such person as may be appointed at the general meeting.
- Should the Chairman or Secretary of the general meeting have to leave during the meeting, his/their duties shall be taken over by the corresponding person or persons as above and the meeting shall continue.
- The directors attending the general meeting shall form the Presiding Board.

Article 10 of the Regulations establishes the procedure for drawing up the attendance list, which may be drawn up in a file or included on any kind of data carrier. Moreover, should the Chairman deem fit, he may appoint two or more shareholders to act as scrutineers, assisting the presiding board in drawing up the attendance list and, if necessary, in the counting of votes, informing the general meeting thereof once it has been declared quorate.

The powers of the Chairman of the General Meeting are described in Article 13 of the Regulations:

- Direct the direct the debate, ensuring that it remains within the confines of the agenda and ending it when he considers the business sufficiently debated.
- Organise the shareholders' contributions as established in Article 12 of the Regulations of the General Meeting.
- Decide, where appropriate, on any extension of the time initially granted to shareholders to speak.
- Moderate the shareholders' contributions, requesting them if necessary to keep to the agenda and observe the appropriate rules of correct conduct when speaking.
- Call the shareholders to order when their contributions are clearly made to filibuster or upset the normal course of the general meeting.
- Withdraw the floor at the end of the time assigned for each contribution or when, despite the admonitions made in pursuance of this article, the shareholder persists in his conduct, taking such measures as may be necessary to ensure that the general meeting resumes its normal course.
- Announce voting results.
- Resolve any issues that may arise during the general meeting regarding the rules established in these Regulations.

Finally, as regards the conclusion and minutes of general meetings, Article 15 of the Regulations establishes that after voting on the proposed resolutions, the general meeting shall conclude and the Chairman shall close the session. The minutes of the general meeting may be approved at the end of the meeting or within fifteen days thereafter by the Chairman of the General Meeting and two scrutineers, one representing the majority and the other representing the minority, who shall be appointed at the proposal of the Chairman after declaring the general meeting quorate. If the presence of a notary has been required to issue a certificate of the general meeting, the minutes set out in the certificate shall be notarial and, as such, shall not require approval by those attending or by scrutineers.

## E.6. Indicate any modifications made during the year to the Regulations of the General Meeting.

At the Annual General Meeting held on 29 May 2012, the shareholders resolved to alter the Articles of Association and Regulations of the General Meeting. And on 28 May 2012 the Board of Directors approved the modification of the Regulations of the Board.

The main purpose of all these changes was to adapt the Articles and Regulations to the latest amendments made in the Corporate Enterprises Act and the new regulations and recommendations currently in place on the Financial Reporting Internal Control System.

The new Regulations of the General Meeting were also intended to adapt to the new Articles of Association.

The alterations made to the Regulations of the General Meeting were:

- Modification of paragraph g of Article 2 (“Competence of the General Meeting”) to add a general referral to the law and the articles of association.

- Modification of Article 3 (“Power and obligation to call general meetings”) to adapt it to Article 168 of the Corporate Enterprises Act, affecting the time within which extraordinary general meetings must be held when requested by shareholders representing at least 5% of the capital.

- Modification of Article 4 (“Publication of the Notice of Call”) to adapt it to the new publication and call requirements established in sections 177, 516 and 517 of the Corporate Enterprises Act.

- Modification of Article 4 bis (“Right to request the calling of a general meeting, supplement the agenda and submit new proposed resolutions”) to recognise the right of shareholders representing at least 5% of the capital to request the calling of a general meeting, add new items to the agenda and submit new proposed resolutions, pursuant to the provisions of sections 168 and 519 of the Corporate Enterprises Act.

- Modification of Article 6 (“Shareholders’ right to information prior to the general meeting”) to expedite the company’s response to shareholders.

- Modification of Article 7 (“Attendance and proxies”): (i) the requirement whereby general meetings could be attended only by shareholders holding at least 100 shares was eliminated; (ii) proxy terms and conditions were adapted to the requirements set out in sections 183, 522, 523 and 524 of the Corporate Enterprises Act; and (iii) the requirements stipulated in section 526 of that Act were included in cases of public requests for representation.

- Modification of Article 14 (“Voting and resolutions”) to adapt it to section 525 of the Corporate Enterprises Act, which requires the determination, for each resolution carried, of the aspects specified in point 7 of this article in the voting results at general meetings.

- Modification of Article 18 (“Publication of resolutions”) to adapt it to section 525 of the Corporate Enterprises Act, which establishes a time limit for publishing the resolutions adopted at general meetings on the company’s website.

## E.7. Give details of attendance of General Meetings held during the year:

Details of Attendance					
Date General Meeting	% in person	% by proxy	% distance voting		Total
			Electronic vote	Others	
29/05/2012	10.880	54.280	0.000	0.000	65.160

E.8. Give a brief account of the resolutions adopted at the general meetings held during the year and percentage of votes with which each resolution was passed.

All the resolutions proposed by the Board at the Annual General Meeting of Shareholders held on 29 May 2012 were approved on the terms and with the results indicated below:

#### ITEM ONE ON THE AGENDA

- To approve the separate and consolidated annual accounts of Ebro Foods, S.A. for the year ended 31 December 2011.

- To approve the separate and consolidated directors' report of Ebro Foods, S.A. for the year ended 31 December 2011, including the Annual Corporate Governance Report, as drawn up by the board of directors.

These resolutions were approved by a majority of 99.999% of the voting capital present and represented.

#### ITEM TWO ON THE AGENDA

- To approve the management of corporate affairs and all other actions performed by the Ebro Foods board during the year ended 31 December 2011.

This resolution was approved by a majority of 99.999% of the voting capital present and represented.

#### ITEM THREE ON THE AGENDA

- To approve the proposed application of the profit recorded by Ebro Foods, S.A. in the year ended 31 December 2011, as shown below and set out in the company's annual report:

Base of application in thousand euro: 1,002,757

Unappropriated reserves: 872,283

Balance of profit and loss account (profit): 153,554

Interim dividend against 2011 profit, paid in 2011: (23,080)

- To approve the interim dividend of 0.15 euro per share against the 2011 profit, authorised by the board of directors on 15 June 2011, which was paid in two payments, the first on 3 October and the second on 22 December 2011, of 0.075 euro per share each, in a total sum of 23,080 thousand euro.

- To approve the distribution of another dividend of 0.45 euro per share, payable in 2012 in three four-monthly payments of 0.15 euro per share each, on 11 January, 11 May and 11 September 2012 in a total sum of 69,239 thousand euro. The first two payments made on 11 January and 11 May 2012 are thus ratified.

This dividend includes the proportional allocation that would correspond to the shares held as treasury stock.

These resolutions were approved by a majority of 99.947 of the voting capital present and represented.

#### ITEM FOUR ON THE AGENDA

- To approve, in pursuance of Article 34 of the Articles of Association, an extraordinary scrip dividend consisting of delivering own shares held as treasury stock representing 1% of the capital against the reserves recognised under liabilities on the balance sheet as of 31 December 2011.

The shares are to be delivered (the "Delivery Date") on 11 December 2012 at the rate of one (1) share for every ninety-nine (99) held by each shareholder.

For this purpose, anyone recognised as a shareholder of Ebro Foods, S.A. in the accounting records of the members of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (IBERCLEAR) at the close of trading on 3 December 2012 (the "Determination Date") will be entitled to receive this scrip dividend. The shares will be delivered on the aforesaid Delivery Date through the systems and mechanisms established by IBERCLEAR.

In order to facilitate this operation, the Agent appointed for this purpose by the board of directors will coordinate with IBERCLEAR and its members to do whatsoever may be necessary or merely convenient to implement the distribution of dividends contemplated in this resolution, according to the procedure and on the terms defined therein, and any which may be established by the Board of Directors of Ebro Foods, S.A., which is expressly delegated by the General Meeting of Shareholders for this purpose.

The above notwithstanding, it is resolved to establish a mechanism to facilitate execution of this operation in respect of any shareholders who, at the Determination Date, hold a number of shares exceeding or falling short of the multiple defined by the board as the "Exact Delivery Ratio" (defined as the "delivery of one (1) share for every ninety-nine (99) held by each shareholder"). The shares exceeding that number will be referred to as "Excess shares" and those falling short of the multiple will be called "Odd lots":

(i) On the Delivery Date, Ebro Foods, S.A., through IBERCLEAR and its members, will deliver to the shareholders so entitled the whole number of shares corresponding to them according to the Exact Delivery Ratio.

(ii) Since, by application of the aforesaid Exact Delivery Ratio, a whole share in Ebro Foods, S.A. will not correspond to any excess shares, but the equivalent of a fraction of a share, an odd-lot settlement system will be established, in which each shareholder is deemed to participate, with no need for express instructions. The aforesaid system entails the settlement of odd lots through the payment of a cash sum equivalent to the value of the odd lot, instead of the corresponding fraction of a share.

(iii) For this purpose, the value of odd lots shall be determined according to the cash value of the fraction of share corresponding to the excess or shortfall, such that the amount paid by the Agent for each odd lot shall be equal to the result of multiplying that cash value by the fraction represented by the odd lot in the multiple, rounded off to the nearest euro cent.

(iv) The Agent appointed by Ebro Foods, S.A. shall keep the shares that would have corresponded to the odd lots and may dispose of them after completion of the operation.

(v) All commissions or charges that may be applied by the IBERCLEAR members or depositaries in respect of the distribution, pursuant to applicable legal provisions, will be paid by Ebro Foods, S.A., but not those that may accrue after transferring the shares delivered as scrip dividend.

- To approve also a dividend associated with the scrip dividend, as payment on account for shareholders subject to withholding tax under the tax laws in place at the date of delivery, or the equivalent sum in cash for other shareholders, according to the following paragraphs.

After distributing the scrip dividend, Ebro Foods, S.A. will pay to the Inland Revenue Service, as payment on account for shareholders subject to withholding tax under the tax laws in place at the delivery date, such sum as may be payable under those laws. This payment will be made within the regulatory time stipulated in the applicable tax laws.

The date and exact amount of the aforesaid payment (expressed in euro per share) will be announced in due course in the corresponding Regulatory Announcement.

Ebro Foods, S.A. will pay the same amount per share as a cash dividend to any shareholders who are not subject to withholding tax under the tax laws in place at the delivery date.

The dividends approved under this item on the agenda include the proportional allocation that would correspond to the shares held as treasury stock.

All the powers required to execute this resolution, including development of the procedure described above, and any powers necessary or convenient for all and any actions and formalities required to conclude the operation contemplated herein are expressly delegated to the Board of Directors, which is in turn expressly authorised to delegate them to the Executive Committee, such Director or Directors as it may deem fit or any other person engaged by the Board.

These resolutions were approved by a majority of 99.947% of the voting capital present and represented.

#### ITEM FIVE ON THE AGENDA

- To renew the appointment of DELOITTE, S.L., tax registration no. B-79104469, with registered office at Plaza Pablo Ruiz Picasso, 1 - Torre Picasso, Madrid, as Auditors of the Company and its Group, to audit the separate and consolidated annual accounts and directors' reports of Ebro Foods, S.A. for 2012.

This resolution was approved by a majority of 97.999% of the voting capital present and represented.

#### ITEM SIX ON THE AGENDA

- To vote for the Annual Directors' Remuneration Report issued by the Board of Directors, including the remunerations of each and all of the directors, specified individually and itemised, in a total sum of 4,244 thousand euro.

This resolution was approved by a majority of 99.998% of the voting capital present and represented.

#### ITEM SEVEN ON THE AGENDA

- To expressly authorise the board, with the fullest powers necessary, to make one or several financial contributions to Fundación Ebro Foods over forthcoming years, up to and not exceeding the sum of five hundred thousand euro (500,000 €), without prejudice to similar authorisations granted by the General Meeting in previous years for the Board to donate funds to Fundación Ebro Foods.

This resolution was approved by a majority of 99.989% of the voting capital present and represented.

#### ITEM EIGHT ON THE AGENDA

8.1. To approve the alteration of Article 2 ("Objects").

This resolution was approved by a majority of 99.937% of the voting capital present and represented.

8.2. To approve the alteration of the following articles: Article 9 ("General Meeting"); Article 10 ("Notice of Call"); inclusion of new Article 10 bis ("Right to request the calling of a general meeting, supplement the agenda and submit new proposed resolutions"); Article 13 ("Attendance"); Article 14 ("Proxies"); and Article 18 ("Minutes").

This resolution was approved by a majority of 99.937% of the voting capital present and represented.

8.3. To approve the alteration of the following articles: Article 23 ("Notice of call and venue of meetings"); Article 25 ("Positions on the Board"); and Article 27 ("Delegation of powers").

This resolution was approved by a majority of 99.937% of the voting capital present and represented.

8.4. To approve the alteration of Article 28 ("Executive Committee, Audit and Compliance Committee and other Committees").

This resolution was approved by a majority of 99.937% of the voting capital present and represented.

8.5. To approve the alteration of the following articles: Article 31 (“Contents of the Annual Accounts”); Article 32 (“Directors’ Report”); Article 33 (“Auditing of Annual Accounts”); Article 35 (“Alteration of Articles of Association”); Article 37 (“Winding-up”); and Article 38 (“Liquidation”).

This resolution was approved by a majority of 99.937% of the voting capital present and represented.

The alteration of the articles listed above is resolved in view of the written report issued by the directors justifying the alteration, approved by the board on 25 April 2012 in pursuance of section 285 of the Corporate Enterprises Act, which was made available to shareholders as from publication of the notice of call and included in the documents delivered.

The altered articles will have the text as set out in the aforesaid directors’ report.

8.6. To approve the recasting of the resolved alterations of the Articles of Association in a single text, to have them are incorporated in a single public instrument.

This resolution was approved by a majority of 99.937% of the voting capital present and represented.

The recast Articles of Association were made available to shareholders as from publication of the notice of call and included in the documents delivered.

#### ITEM NINE ON THE AGENDA

9.1. To approve the alteration of Article 2 (“Competence of the General Meeting”).

This resolution was approved by a majority of 99.937% of the voting capital present and represented.

9.2. To approve the alteration of the following articles: Article 3 (“Power and obligation to call general meetings”); Article 4 (“Publication of the Notice of Call”); inclusion of a new Article 4 bis (“Right to request the calling of a general meeting, supplement the agenda and submit new proposed resolutions”).

This resolution was approved by a majority of 99.937% of the voting capital present and represented.

9.3. To approve the alteration of the following articles: Article 6 (“Shareholders’ right to information prior to the general meeting”); and Article 7 (“Right to attend and proxies”).

This resolution was approved by a majority of 99.937% of the voting capital present and represented.

9.4. To approve the alteration of the following articles: Article 14 (“Voting and resolutions”); and Article 18 (“Publication of resolutions”).

This resolution was approved by a majority of 99.937% of the voting capital present and represented.

The alteration of the articles listed above is resolved in view of the written report issued by the directors justifying the alteration, approved by the board on 25 April 2012 in pursuance of Article 19 of the Regulations of the General Meeting, which was made available to shareholders as from publication of the notice of call and included in the documents delivered.

The altered articles will have the text as set out in the aforesaid directors’ report.

9.5. To approve the recasting of the resolved alterations of the Regulations of the General Meeting in a single text, to have them are incorporated in a single public instrument.

This resolution was approved by a majority of 99.937% of the voting capital present and represented.

The recast Regulations of the General Meeting were made available to shareholders as from publication of the notice of call and included in the documents delivered.

#### ITEM TEN ON THE AGENDA

- To consider the General Meeting duly informed of the alteration of the Regulations of the Board approved by the board on 28 March 2012 to adjust them to the new laws and regulations applicable to corporate enterprises in general and listed companies in particular, and to the Articles of Association and Regulations of the General Meeting proposed for approval under items 8 and 9 on the agenda.

The Articles altered are: "Justification, purpose, underlying principles and structure of the Regulations"; Article 1 ("Purpose"); Article 2 ("Scope of application"); Article 6 ("General scope of action of the Board of Directors"); Article 7 ("Specific duties regarding certain matters"); Article 8 ("Principles"); Article 9 ("Board meetings"); Article 13 ("Audit and Compliance Committee"); Article 14 ("Nomination and Remuneration Committee"); Article 15 ("Strategy and Investment Committee"); Article 16 ("Management Committee"); Article 18 ("Relations with shareholders and markets"); Article 20 ("Relations with the senior management"); Article 22 ("Incompatibilities: No Competition Obligation, Conflicts of Interest and Related Party Transactions"); Article 33 ("Chairman of the Board"); Article 34 ("Managing Director"); Article 35 ("General Manager") has been eliminated; new Article 35 ("Secretary of the Board").

This resolution was approved by a majority of 91.474% of the voting capital present and represented.

The recast Regulations of the Board was made available to shareholders as from publication of the notice of call and included in the documents delivered.

#### ITEM ELEVEN ON THE AGENDA

- To approve the appointment of José Antonio Segurado García for a term of four years as non-executive independent director of the company.

This resolution was approved by a majority of 98.840% of the voting capital present and represented.

- To approve the appointment of José Ignacio Comenge Sánchez-Real for a term of four years as non-executive independent director of the company.

This resolution was approved by a majority of 98.840% of the voting capital present and represented.

- To approve the appointment of Fernando Castelló Clemente for a term of four years as non-executive independent director of the company.

This resolution was approved by a majority of 98.840% of the voting capital present and represented.

- To maintain the number of Board members at thirteen (13), pursuant to section 211 of the Corporate Enterprises Act and Article 19 of the Articles of Association.

This resolution was approved by a majority of 98.840% of the voting capital present and represented.

#### ITEM TWELVE ON THE AGENDA

- To authorise the board members named below to engage in the activities indicated, pursuant to section 230 of the Corporate Enterprises Act:

12.1. Instituto Hispánico del Arroz, S.A., to hold the position of Director in the following companies of the Hisparroz Group: El Cobujón, S.A, Dehesa Norte, S.A., Mundiarrroz, S.A., Pesquerías Isla Mayor, S.A., Australian Commodities, S.A. and Islasur, S.A.

This resolution was approved by a majority of 99.944% of the voting capital present and represented.



12.2. Antonio Hernández Callejas, to hold the position of Director in Deoleo, S.A.

This resolution was approved by a majority of 99.944% of the voting capital present and represented.

12.3. Demetrio Carceller Arce, to hold the position of Director in Deoleo, S.A.

This resolution was approved by a majority of 99.944% of the voting capital present and represented.

12.4. Dr. Rudolf-August Oetker, to hold the position of Director in Chairman of the Advisory Board in Dr. August Oetker KG and to be a member of the Advisory Board of the following companies in the Dr. August Oetker KG group: Dr. Oetker GmbH, Dr. August Oetker Nahrungsmittel KG, Dr. Oetker International Beteiligungs GmbH, Dr. August Oetker Nahrungsmittel Beteiligungs GmbH and Hamburg Südamerikanische Dampfschiffahrts-Gesellschaft KG.

This resolution was approved by a majority of 99.944% of the voting capital present and represented.

#### ITEM THIRTEEN ON THE AGENDA

To ratify, pursuant to section 11 bis of the Corporate Enterprises Act, the Ebro Foods, S.A. corporate website created in relation to section 538 of that Act, at the address: [www.ebrofoods.es](http://www.ebrofoods.es).

It is declared to all intents and purposes that the aforesaid corporate website has been duly registered with the Madrid Trade Registry.

This resolution was approved by a majority of 99.990% of the voting capital present and represented.

#### ITEM FOURTEEN ON THE AGENDA

- To expressly authorise the Chairman, Secretary and Vice-Secretary of the Board, as extensively as may be required by law, so that any one of them, acting individually and with his/her sole signature, may execute, put on record and give notice of each and all of the resolutions adopted at this General Meeting, supplement, develop and remedy those resolutions, deliver them and secure their full or partial entry in the Trade Register or in any other registers kept by the corresponding public or private institutions, execute and rectify public or private documents of whatsoever nature and take such other action or actions as may be necessary.

This resolution was approved by a majority of 99.999% of the voting capital present and represented.

E.9. State the number of shares required to attend General Meetings, indicating whether any restrictions are established in the articles of association.

NO

Number of shares required to attend general meeting	
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E.10. Describe and justify the company's policies on proxy votes at General Meetings.

Proxy votes are regulated in Article 7 of the Regulations of the General Meeting.

3. Any shareholder entitled to attend may be represented at general meetings by another person as stipulated in the law and articles of association.

Proxies shall be granted specifically for each general meeting.

The shareholder may appoint a proxy and notify the company of this appointment in writing or by electronic means. The company shall establish a system for electronic notification of appointment, with such formal requirements as may be necessary and sufficient to guarantee identification of the shareholder and the proxy or proxies. The provisions of this paragraph will also be applicable for the revocation of proxies.

Regardless of whether the representation is voluntary or required by law, no shareholder may have more than one proxy at any general meeting.

A proxy may represent more than one shareholder, with no limitation on the number of shareholders represented. When a proxy represents several shareholders, he may vote differently according to the instructions issued by each shareholder.

In any case, the number of shares represented shall be counted for calculation of the quorum.

Prior to appointment, the proxy shall inform the shareholder in detail of any possible conflict of interest. If the conflict arises after his appointment and he has not advised the represented shareholder of its possible existence, he shall inform the latter immediately. In both cases, if new specific voting instructions are not received for each of the issues in which the proxy may have to vote on behalf of the shareholder, the proxy shall abstain from voting.

There may be a conflict of interest for the purposes of this Article, in particular, when the proxy is in any of the following situations:

- a) If he is a controlling shareholder of the Company or an undertaking controlled by that controlling shareholder.
- b) If he is member of the board, management or supervisory bodies of the company, controlling shareholder or an undertaking controlled by the latter.  
If he is a director, the provisions of section 526 will be applicable.
- c) If he is an employee or auditor of the company, controlling shareholder or an undertaking controlled by the latter.
- d) If he is an individual related party to the foregoing. Related individuals shall be: the spouse or someone who has been the spouse in the previous two years, or common-law partner or someone who has been living with the proxy in the previous two years, and the ascendants, descendants, peers and their respective spouses.

If the represented shareholder has issued instructions, the proxy shall vote in accordance with those instructions and shall keep those instructions for one year after the corresponding general meeting. Proxies may be revoked at any time. The personal attendance at the general meeting of the represented shareholder shall have the effect of revocation of the proxy.

4. Professional financial intermediaries may exercise voting rights on behalf of any of their clients who are shareholders, whether individuals or legal persons, and have granted a proxy in their favour.

Any financial intermediary receiving such a proxy shall notify the company within seven days prior to the date on which the general meeting is to be held, enclosing a list indicating the identity of each client, the number of shares in respect of which the financial intermediary votes on the client's behalf and the voting instructions, if any, received by the financial intermediary.

The financial intermediary may vote differently in fulfilment of different voting instructions, as the case may be.

5. In cases of public requests for representation, the document containing the power of attorney shall contain or annex the agenda, voting instructions and indications of how the representative is to vote when no specific instructions have been issued. A public request shall be deemed to exist whenever any one person represents more than three shareholders.

The proxy may also include any items which, although not included on the agenda for the General Meeting, may lawfully be transacted thereat.

If there are no voting instructions because the General Meeting is going to resolve on issues which, by law, do not need to be included on the agenda, the proxy shall vote howsoever he may consider his principal's interests best favoured.

If the represented shareholder has issued instructions, the proxy may only vote otherwise in circumstances of which the shareholder was unaware at the time of issuing the instructions and when the represented shareholder's interests are in jeopardy.

In the last two cases, the proxy shall inform the represented shareholder forthwith in writing, explaining the reasons for his vote.

In cases of public requests for representation, the director assigned such representation may not exercise the voting right in respect of any items on the agenda in which he may be in conflict of interest, unless he has received specific voting instructions from the principal for each of those items, as stipulated in law. The director will, in any case, be considered to be in a conflict of interest in respect of the following decisions:

- a) his appointment, re-election or ratification as director;
- b) his dismissal, removal or cessation as director;
- c) any corporate action brought against him for liability;
- d) approval or ratification, as appropriate, of company transactions with the director in question or companies that he controls or represents, or persons acting on his behalf.

**E.11. Is the company aware of the policies of institutional investors regarding their participation or otherwise in company decisions?**

NO

**E.12. Address and access to the corporate governance contents on the company's website.**

Ebro Foods's corporate website <http://www.ebrofoods.es> is set up as a vehicle of continuous, up-to-date information for shareholders, investors and the financial market in general.

In this respect, the home page includes a specific section, called "Information for shareholders and investors", which contains all the information required under the applicable legal provisions.

This section includes, pursuant to current legislation, the chapter on Corporate Governance. The specific address of this chapter is:

<http://www.ebrofoods.es/informacion-para-accionistas-e-inversores/gobierno-corporativo/reglamento-de-la-junta-general/> or:  
<http://www.ebrofoods.es/information-for-shareholders-and-investors/corporate-governance/regulations-of-the-general-meeting/>

The Corporate Governance chapter is structured in the following sub-sections:

- Regulations of the General Meeting
- General Meeting of Shareholders
- Shareholders' Agreements
- Regulations of the Board
- Board of Directors
- Corporate Governance Report
- Code of Conduct

The contents of this chapter are structured and hierarchical, with a concise, explanatory title, to permit rapid, direct access to each section, in accordance with legal recommendations, at less than three clicks from the home page.

All these sections have been designed and prepared according to the principle of accessibility, aiming to enable fast location and downloading of the required information.

## F. EXTENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of compliance by the company with the recommendations of the Unified Good Governance Code. In the event of non-compliance with any recommendations, explain the recommendations, standards, practices or principles applied by the company.

1. The Articles of Association of listed companies should not limit the maximum number of votes that may be cast by an individual shareholder or impose other restrictions hampering takeover of the company via the market acquisition of its shares.

*See sections A.9, B.1.22, B.1.23, E.1 and E.2*

Complies

2. When both the parent company and a subsidiary are listed, they should both publish a document specifying exactly:

- a) The types of activity they are respectively engaged in and any business dealings between them, and between the listed subsidiary and other group companies;
- b) The mechanisms in place to solve any conflicts of interest.

*See sections C.4 and C.7*

Not Applicable

3. Although not expressly required in company law, any operations involving a structural alteration of the company should be submitted to the General Meeting for approval, especially the following:

- a) Conversion of listed companies into holdings, through spin-off or “subsidiarisation”, i.e. reallocating to subsidiaries of core activities thereunto performed by the company, even though the latter may retain full ownership of its subsidiaries;
- b) Acquisition or disposal of key operating assets, if this involves an effective alteration of its objects;
- c) Any operations producing effects equivalent to liquidation of the company.

Complies

4. Detailed proposals of the resolutions to be adopted at a General Meeting, including the information contemplated in Recommendation 28, should be published simultaneously with the notice of call to the General Meeting.

Explanation

The proposed resolutions corresponding to items 5 and 11 on the Agenda for the General Meeting were approved by the Board of Directors after publication of the notice of call.

5. Substantially independent items shall be voted separately at General Meetings to enable shareholders to express their preferences separately. This rule is particularly applicable:

- a) To the appointment or ratification of directors, which should be voted individually;
- b) In the case of alterations to the Articles of Association, to each article or substantially independent group of articles.

*See section E.8*

Complies

6. Companies should allow split votes, so that financial intermediaries on record as shareholders but acting on behalf of different clients can vote according to the latter's instructions.

See section E.4

Complies

7. The Board should perform its duties with unity in proposal and independent criteria, affording all shareholders the same treatment and guided by corporate interests, which shall mean maximising the value of the company over time.

It shall also ensure that the company complies with the applicable laws and regulations in its relations with stakeholders; fulfils its contracts and obligations in good faith; respects good customs and practice in the sectors and territories in which it operates; and upholds any other social responsibility principles that it may have subscribed to voluntarily.

Complies

8. The Board should undertake, as its principal mission, to approve the company's strategy and the organisation required to put it into practice, and to oversee and ensure that Management meets the targets marked out and respects the objects and corporate interest of the company. For this purpose, the full Board shall approve the following:

a) General policies and strategies of the Company, particularly:

- i) The strategic or business plan, management objectives and annual budgets;
- ii) Investment and financing policy;
- iii) Definition of the structure of the corporate group;
- iv) Corporate governance policy;
- v) Corporate social responsibility policy;
- vi) Policy on the remuneration and performance assessment of senior officers;
- vii) Risk management and control policy and the regular monitoring of internal information and control systems;
- viii) The dividend policy and treasury stock policy, particularly regarding limits.

See sections B.1.10, B.1.13, B.1.14 and D.3

b) The following decisions:

- i) Upon recommendation by the chief executive, the appointment and possible removal of senior officers, and corresponding severance clauses.

See section B.1.14

- ii) Directors' emoluments and, for executive directors, supplementary remuneration for their executive duties and any other terms and conditions to be included in their contracts.

See section B.1.14

- iii) The financial information that listed companies are obliged to disclose periodically.
- iv) Any investments or transactions considered strategic by virtue of their amount or special characteristics, unless approval corresponds to the General Meeting;
- v) Creation or acquisition of shares in special purpose vehicles or companies domiciled in countries or territories considered tax havens, and any transactions or operations of a similar nature which could, by virtue of their complex structure, impair the group's transparency.

c) Transactions between the company and its directors, significant shareholders or shareholders with representatives on the Board, or persons related thereto ("related-party transactions").

This authorisation will not be necessary for related-party transactions that meet all of the following three conditions:

1. Made under contracts with standard terms and conditions applied across the board to large numbers of clients;
2. Made at the general prices or rates established by the person supplying the good or service;
3. Made for a sum not exceeding 1% of the company's annual earnings.

The Board is recommended to make approval of related-party transactions dependent on a favourable report by the Audit Committee, or such other committee as may be assigned this duty. Apart from not exercising or delegating their vote, the affected Directors shall leave the room during the corresponding discussion and voting by the Board.

It is recommended that these competences of the Board be non-delegable, except those contemplated in paragraphs b) and c), which may be adopted by the Executive Committee in an emergency, subject to subsequent ratification by the full Board.

*See sections C.1 and C.6*

Complies

9. The Board should have an adequate size to secure efficient, participative performance of its duties. The recommended size is between five and fifteen members.

*See section B.1.1*

Complies

10. Non-executive proprietary and independent directors should have an ample majority on the board, while the number of executive directors should be kept to a minimum, taking account of their equity ownership and the complexity of the corporate group.

*See sections A.2, A.3, B.1.3 and B.1.14*

Complies

11. If any non-executive director cannot be considered proprietary or independent, the company should explain this circumstance and the director's ties with the company or its executives, or with its shareholders.

*See section B.1.3*

Complies

12. Among the non-executive directors, the ratio of proprietary to independent directors should reflect the proportion between capital represented and not represented on the Board.

This strictly proportional distribution may be relaxed so that proprietary directors have a greater weight than that corresponding to the total percentage of capital they represent:

1. In companies with a high capitalisation with few or no shareholdings considered significant by law, but in which certain shareholders have interests with a high absolute value.

2. In companies with a plurality of unrelated shareholders represented on the Board.

*See sections B.1.3, A.2 and A.3*

Complies

13. The total number of Independent Directors should represent at least one-third of the total Directors.

*See section B.1.3*

Complies

14. The Board should explain the nature of each Director at the General Meeting at which an appointment is to be made or ratified. The type of director should be confirmed or altered, as the case may be, in the Annual Corporate Governance Report, following verification by the Nomination Committee. The reasons why Proprietary Directors have been appointed at the request of shareholders with an interest of less than 5% in the capital shall be explained in that Report, as well as the reasons, where appropriate, for not meeting formal requests for presence on the Board from shareholders with an interest equal or greater than others at whose request proprietary directors have been appointed.

*See sections B.1.3 and B.1.4*

Complies

15. When there are few or no female directors, the Board should explain the reasons for this situation and the steps taken to correct it. In particular, when vacancies arise on the Board, the Nomination Committee should ensure that:

- a) There is no hidden bias against women candidates in the selection procedures;
- b) The company makes a conscious effort to include women with the target profile among the candidates.

See sections B.1.2, B.1.27 and B.2.3

#### Explanation

Board members are appointed regardless of candidates' sex, so there is no positive or negative discrimination of any nature in the election of directors.

María Blanca Hernández Rodríguez was appointed director in 2006 and Sol Daurella Comadrán in 2010.

16. The Chairman, being responsible for the effective operation of the Board, should make sure that directors receive sufficient information in advance; stimulate debate and active participation by directors at all Board meetings, protecting their free stand and expression of opinion on any issues; and organise and coordinate periodic assessment of the Board, and the Managing Director or CEO, if any, with the chairmen of the principal committees.

See section B.1.42

#### Complies

17. When the Chairman of the Board is also the chief executive officer of the company, one of the Independent Directors should be authorised to request the calling of a Board meeting or the inclusion of new items on the agenda; coordinate and express the concerns of the Non-Executive Directors; and direct the assessment by the Board of its Chairman.

See section B.1.21

#### Complies

18. The Secretary of the Board should especially ensure that the Board's actions:

- a) Conform to the text and spirit of the laws and regulations, including those adopted by the market watchdogs;
- b) Conform to the company's Articles of Association and the Regulations of the General Meeting, the Board and any other internal regulations of the Company;
- c) Take account of the good governance recommendations contained in this Unified Code endorsed by the company.

To guarantee the independence, impartiality and professionalism of the Secretary, his/her appointment and removal should require a report by the Nomination Committee and approval by the full Board; and the procedure for appointment and removal should be set down in the Regulations of the Board.

See section B.1.34

#### Complies

19. The Board should meet as often as may be necessary to secure efficient performance of its duties, following the calendar and business established at the beginning of the year, although any director may propose other items not initially contemplated to be included on the agenda.

See section B.1.29

#### Complies

20. Non-attendance of Board meetings should be limited to inevitable cases and stated in the Annual Corporate Governance Report. If a director is forced to grant a proxy for any Board meeting, the appropriate instructions shall be issued.

See sections B.1.28 and B.1.30

#### Complies

21. When the Directors or the Secretary express concern over a proposal, or, in the case of Directors, the company's performance, and those concerns are not settled by the board, they should be put on record, at the request of those expressing them.

Complies

22. The full Board should assess once a year:

- a) The quality and effectiveness of the Board's actions;
- b) Based on the report issued by the Nomination Committee, the performance by the Chairman of the Board and Chief Executive Officer of their respective duties;
- c) The performance of its Committees, based on the reports issued by each one.

*See section B.1.19*

Complies

23. All the Directors should be entitled to obtain such supplementary information as they may consider necessary on business within the competence of the Board. Save otherwise stipulated in the Articles of Association or Board Regulations, their requests should be addressed to the Chairman or Secretary of the Board.

*See section B.1.42*

Complies

24. All Directors should be entitled to call on the company for specific guidance in the performance of their duties, and the company should provide adequate means for exercising this right, which in special circumstances may include external assistance, at the company's expense.

*See section B.1.41*

Complies

25. Companies should establish an induction programme to give new Directors a rapid, sufficient insight into the company and its rules on corporate governance. Directors should also be offered refresher courses in the appropriate circumstances.

Complies

26. Companies should require Directors to devote the necessary time and efforts to perform their duties efficiently. Accordingly:

- a) Directors should inform the Nomination Committee of any other professional obligations they may have, in case they may interfere with the required dedication;
- b) Companies should limit the number of directorships that its Directors may hold.

*See sections B.1.8, B.1.9 and B.1.17*

Complies

27. Proposals for the appointment or re-appointment of directors submitted by the Board to the General Meeting and the provisional appointment of directors by cooptation should be approved by the Board:

- a) At the proposal of the Nomination Committee, in the case of Independent directors.
- b) Subject to a report by the Nomination Committee for other directors.

*See section B.1.2*

Complies



28. Companies should publish on their websites and regularly update the following information on their directors:
- a) Professional and biographical profile;
  - b) Other directorships held, in listed or unlisted companies;
  - c) Type of director, indicating in the case of proprietary directors the shareholders they represent or are related with.
  - d) Date of first and subsequent appointments as company director; and
  - e) Company shares and stock options held.

Partial Compliance

This Recommendation is followed in all sections except b).

29. Independent directors should not remain on the Board as such for more than 12 years in succession.

*See section B.1.2*

Complies

30. Proprietary directors should resign when the shareholder they represent disposes of its entire shareholding in the company. They should also resign in the corresponding number when the shareholder disposes of part of its shares to an extent requiring a reduction in the number of proprietary directors.

*See sections A.2, A.3 and B.1.2*

Complies

31. The Board should not propose the removal of any independent director before the end of the period for which he or she was appointed, unless there are just grounds for doing so, as appreciated by the Board subject to a report by the Nomination Committee. Just grounds are deemed to exist when the director has acted in breach of his/her duties or when he or she falls into any of the circumstances described in point III.5, definitions, of this Code.

The removal of independent directors may also be proposed as a result of takeover bids, mergers or similar corporate operations producing a change in the capital structure of the company, whenever those changes in the structure of the Board correspond to the principle of proportionality established in Recommendation 12.

*See sections B.1.2, B.1.5 and B.1.26*

Complies

32. Companies should establish rules obliging directors to report and, if necessary, resign in any cases that may jeopardise the company's reputation. In particular, directors should be obliged to inform the Board of any criminal proceedings brought against them and the subsequent development of the proceedings.

If a director is tried for any of the offences contemplated in section 124 of the Corporations Act, the Board should study the case as soon as possible and, in view of the specific circumstances, decide whether or not the director should remain in office. A reasoned account should be included in the Annual Corporate Governance Report.

*See sections B.1.43 and B.1.44*

Complies

33. All the directors should clearly express their opposition whenever they consider that any proposed decision submitted to the Board may go against corporate interests. The independent and other directors not affected by the potential conflict of interest should also do so when the decisions may be detrimental to shareholders not represented on the Board.

And when the Board adopts significant or reiterated decisions regarding which a director has expressed serious reservations, the latter should reach the appropriate conclusions and, if he or she opts to resign, explain the reasons in the letter contemplated in the following recommendation.

This recommendation also affects the Secretary of the Board, even if he or she is not a director.

Complies

34. If a director resigns or retires from office on whatsoever other grounds before the end of his or her term of office, he or she should explain the reasons in a letter sent to all the Board members. Regardless of whether the retirement is announced as a regulatory disclosure, the reason shall be indicated in the Annual Corporate Governance Report.

See section B.1.5

Not applicable

35. The remuneration policy approved by the Board should regulate at least the following aspects:

- a) Amount of fixed items, specifying the amount of attendance fees, if any, for Board and Committee meetings and estimating the fixed remuneration for the year;
- b) Variable pay items, including, in particular:
  - i) Types of director to which they are applicable and an explanation of the relative weight of the variable pay items to the fixed items;
  - ii) Criteria for assessment of results on which any right to remuneration in shares, stock options or any other variable component is based;
  - iii) Essential parameters and basis for any system of annual bonus payments or other non-cash benefits; and
  - iv) An estimate of the aggregate sum of variable remunerations deriving from the proposed remuneration plan, according to the degree of fulfilment of the reference hypotheses or objectives.
- c) Principal terms of the welfare schemes (e.g. supplementary pensions, life assurance and similar), estimating the amount or equivalent annual cost.
- d) Conditions to be respected in top management and executive director contracts, including:
  - i) Term;
  - ii) Notice; and
  - iii) Any other clauses concerning golden hellos or golden parachutes for early termination of the contractual relationship between the company and the executive director.

See section B.1.15

Complies

36. Remunerations in the form of shares in the company or group companies, stock options or instruments linked to the value of the share and any variable remuneration linked to the company's performance or welfare schemes should be limited to executive directors.

This recommendation shall not be applicable to the delivery of shares when subject to the condition that the directors keep them up to their retirement from the Board.

See sections A.3 and B.1.3

Complies

37. The remuneration of non-executive directors should be sufficient to remunerate their dedication, qualifications and responsibilities, but not so high as to compromise their independence.

Complies

38. Earnings-linked remuneration should take account of any qualifications in the external auditor's report that may reduce such earnings.

Not Applicable

39. In the case of variable remuneration, the pay policies should establish such precautions as may be necessary to ensure that such remuneration is related to the professional performance of its beneficiaries, not merely deriving from general trends on the markets or in the company's sector of business or other similar circumstances.

Complies

40. The Board should submit to an advisory vote at the General Shareholders' Meeting, as a separate item on the agenda, a report on the directors' remuneration policy. This report should be made available to shareholders, as a separate document or in whatsoever other form the company may deem fit.

The report should focus especially on the remuneration policy approved by the Board for the current year and that established, if any, for future years. It shall address all the issues contemplated in Recommendation 35, except those points that could entail disclosure of commercially sensitive information. It shall stress the most significant changes in such policies in respect of that applied during the previous year to which the General Meeting refers. It shall also include a global summary of implementation of the remuneration policy in the previous year.

The Board should also inform on the role played by the Remuneration Committee in defining the remuneration policy and, if external assistance has been used, the identity of the external advisers who provided such assistance.

*See section B.1.16*

Complies

41. The individual remunerations of directors during the year shall be disclosed in the Annual Report, including the following details:

- a) Breakdown of the remuneration of each director, including, where applicable:
  - i) Attendance fees and other fixed sums payable to directors;
  - ii) Additional compensation for being Chairman or member of one of the Committees of the Board;
  - iii) Payments made under profit-sharing or bonus schemes and the reasons for their accrual;
  - iv) Contributions on behalf of the director to defined-contribution pension schemes; or increase in the director's vested rights in contributions to defined-benefit schemes;
  - v) Any indemnities agreed or paid upon termination of their duties;
  - vi) Compensation received as director of other group companies;
  - vii) Remuneration received by executive directors as payment for their senior management duties;
  - viii) Any sums paid other than those listed above, regardless of the nature or the group company paying them, especially when it may be considered a related-party transaction or omission would distort the true and fair view of the total remuneration received by the director.
- b) Breakdown for each director of any deliveries of shares, stock options or whatsoever other instrument linked to the value of the company's share, specifying:
  - i) Number of shares or options granted during the year and conditions for exercising the options;
  - ii) Number of options exercised during the year, indicating the corresponding number of shares and the exercise price;
  - iii) Number of options pending exercise at year end, indicating their price, date and other conditions for exercise;
  - iv) Any modification during the year of the conditions for exercising options granted earlier.
- c) Information on the ratio during the previous year of remuneration received by the executive directors and the company's profits or any other measure of its earnings.

Complies

42. When there is an Executive Committee, the balance between the different types of director should roughly mirror that of the Board. The Secretary of the Board should be Secretary of the Executive Committee.

*See sections B.2.1 and B.2.6*

Complies

43. The Board should be informed at all times of the business transacted and decisions made by the Executive Committee and all Board members should receive a copy of the minutes of Executive Committee meetings.

Complies

44. In addition to the Audit Committee which is mandatory under the Securities Market Act, the Board shall set up a Nomination and Remuneration Committee, or two separate Committees.

The rules on composition and procedure of the Audit Committee and the Nomination and Remuneration Committee or Committees should be set out in the Regulations of the Board, including the following:

a) The Board should appoint the members of these Committees, taking account of the directors' knowledge, expertise and experience and the duties corresponding to each Committee and discuss their proposals and reports. The Committees should report to the Board on their actions at the first full Board meeting after each Committee meeting, being accountable for the work done.

b) These Committees should have a minimum of three members, who should be exclusively Non-Executive Directors. This notwithstanding, Executive Directors or senior officers may attend their meetings when expressly so decided by the Committee members.

c) The Committees should be chaired by Independent Directors.

d) They may obtain external assistance whenever this is considered necessary for the performance of their duties.

e) Minutes should be issued of Committee meetings and a copy sent to all members of the Board.

*See sections B.2.1 and B.2.3*

Complies

45. The Audit Committee, Nomination Committee or, if separate, the Compliance or Corporate Governance Committee(s) should be responsible for overseeing compliance with internal codes of conduct and corporate governance rules and regulations.

Complies

46. All members of the Audit Committee, particularly its Chairman, should be appointed in view of their knowledge of and experience in accounting, auditing or risk management.

Complies

47. Listed companies should have an internal audit department, supervised by the Audit Committee, to guarantee the effectiveness and efficiency of the internal reporting and control systems.

Complies

48. The chief audit officer should submit an annual work programme to the Audit Committee, reporting directly on any irregularities arising during its implementation and submitting an activity report at each year end.

Complies

49. The risk management and control policy should define at least:

a) The different types of risk (operating, technological, financial, legal, reputational...) to which the company is exposed, including under financial or economic risks any contingent liabilities or other off-balance-sheet exposure;

b) The level of risk that the company considers acceptable;

c) The measures envisaged to soften the effects of the risks identified, should they materialise;

- d) The internal reporting and control systems to be used to control and manage those risks, including contingent liabilities or off-balance-sheet risks.

See section D

Complies

50. The Audit Committee should:

1. In connection with the internal reporting and control systems:

- a) Supervise the preparation and integrity of the financial information on the company and, where appropriate, the group, checking for compliance with applicable legal provisions, adequate definition of the consolidated group and correct application of accounting standards.
- b) Check internal control and risk management systems on a regular basis to ensure that the principal risks are adequately identified, managed and disclosed.
- c) Oversee the independence and effectiveness of the internal audit department; propose the nomination, appointment, reappointment and removal of the chief audit officer; propose the budget for this department; receive periodical information on its activities; and check that the top management heeds the conclusions and recommendations set out in its reports.
- d) Establish and supervise a “whistle-blowing” procedure so employees can confidentially and, if considered appropriate, anonymously report any potentially important irregularities they may observe in the company's conduct, especially in financial and accounting aspects.

2. In connection with the external auditor:

- a) Submit proposals to the Board on the nomination, appointment, reappointment and replacement of the external auditor and its terms of engagement.
- b) Receive regular information from the external auditor on the audit plan and findings and make sure the senior management acts on its recommendations.
- c) Guarantee the independence of the external auditor, and for this purpose:
  - i) The company should inform the CNMV as a significant event whenever the auditor is changed, attaching a declaration on any disagreements that may have arisen with the outgoing auditor and their content, if any.
  - ii) The company and the auditor should be ensured to respect all rules and regulations in place regarding the provision of services other than auditing services, limits on concentration of the auditor's services and any other rules established to guarantee the auditors' independence;
  - iii) Investigate the circumstances giving rise to resignation of any external auditor.
- d) In groups, encourage the auditor of the group to audit the group companies.

See sections B.1.35, B.2.2, B.2.3 and D.3

Complies

51. The Audit Committee may call any employee or executive of the company into its meetings, even ordering their appearance without the presence of any other senior officer.

Complies

52. The Audit Committee should report to the Board on the following matters from Recommendation 8 before the latter adopts the corresponding decisions:

- a) The financial information that listed companies are obliged to disclose periodically. The Committee shall ensure that interim financial statements are drawn up under the same accounting principles as the annual statements, requesting a limited external audit if necessary.
- b) Creation or acquisition of shares in special purpose vehicles or companies domiciled in countries or territories which are considered tax havens, and any transactions or operations of a similar nature which could, by virtue of their complex structure, impair the group's transparency.
- c) Related-party transactions, unless this prior reporting duty has been assigned to another supervision and control committee.

See sections B.2.2 and B.2.3

Complies

53. The Board should endeavour to avoid a qualified auditor's report on the accounts laid before the General Meeting, and in exceptional circumstances when such qualifications exist, both the Chairman of the Audit Committee and the auditors shall clearly explain to the shareholders their content and scope.

*See section B.1.38*

Complies

54. The majority of the members of the Nomination Committee – or Nomination and Remuneration Committee if there is just one – should be independent directors.

*See section B.2.1*

Complies

55. Apart from the duties specified in preceding Recommendations, the Nomination Committee should:

- a) Assess the expertise, knowledge and experience of Board members; define the duties and skills required of candidates to fill vacancies; and determine the time and dedication considered necessary for them to adequately perform their duties.
- b) Study or organise as appropriate the succession of the Chairman or Chief Executive Officer and, if necessary, make recommendations to the Board to secure an orderly, well-planned handover.
- c) Report on any appointments and removals of senior officers proposed by the Chief Executive Officer.
- d) Report to the Board on the gender issues contemplated in Recommendation 14.

*See section B.2.3*

Partial Compliance

All the duties contemplated in this Recommendation correspond to the Nomination and Remuneration Committee except the duty mentioned in d).

The Nomination and Remuneration Committee does not report to the board on the gender issues contemplated in Recommendation 14 of the Code of Good Governance because the company does not make any positive or negative discrimination in the election of directors, who are elected regardless of their sex, as indicated in section B.1.27 and in the explanation to Recommendation 14 of this Report.

56. The Nomination Committee should consult the Chairman and Chief Executive Officer, especially on matters concerning Executive Directors.

Any director may request the Nomination Committee to consider potential candidates they consider suitable to fill vacancies on the Board.

Complies

57. Apart from the duties indicated in the preceding Recommendations, the Remuneration Committee should:

- a) Submit proposals to the Board on:
  - i) The remuneration policy for directors and senior officers;
  - ii) The individual remuneration of executive directors and other terms of contract.
  - iii) The basic conditions of senior executive contracts.
- b) Ensure compliance with the remuneration policy established by the company.

*See sections B.1.14 and B.2.3*

Complies

58. The Remuneration Committee should consult the Chairman and Chief Executive Officer, especially on matters concerning executive directors and senior officers.

Complies

## G. OTHER INFORMATION OF INTEREST

If you consider there to be an important principle or aspect regarding the corporate governance practices applied by your company that have not been mentioned in this report, indicate them below and explain the contents.

EXPLANATORY NOTE ONE, CONCERNING SECTION A.2.

UBS AG has not provided the information requested concerning the identity of the direct holders of its indirect interest.

EXPLANATORY NOTE TWO, CONCERNING SECTION A.5.

For relations between the Ebro Foods companies and their significant shareholders, see section C.2 of this report.

EXPLANATORY NOTE THREE, CONCERNING SECTION B.1.11.

- Explanations concerning paragraph a):

1. Of the total variable remuneration in 2012, €343 thousand correspond to the Deferred Annual Variable Remuneration, linked to the Group's Strategic Plan 2010-2012, corresponding to 2010. A provision was made for this amount in the 2010 accounts.

2. Similarly, a provision of €1,297 thousand was recognised in the 2012 accounts for the Deferred Annual Remuneration linked to the Group's Strategic Plan 2010-2012, corresponding to 2012 and representing 70% of the three-year period. This amount will accrue and be payable in 2014.

3. The Deferred Annual Remuneration Scheme is not indexed to the value of the Ebro Foods share; nor does it imply receipt by the beneficiaries of shares or any other rights thereover.

- Explanations concerning the following pay items and other benefits reflected in section B.1.11:

1. Provisions stipulated in the Articles: share in profits stipulated in Article 22 of the Articles of Association. See section B.1.14 of this Report.

2. Pension Funds and Schemes. Contributions: no Board members are beneficiaries of supplementary life and retirement insurance. The company has not granted any loans or advances to Board members or contracted any obligations on their behalf under guarantees or bonds.

- It is put on record that the Directors' remunerations declared in section B.1.11 include the following:

. Remuneration received by José Barreiro Seoane from 1 January 2012 to 29 May 2012, on which date he ceased to be a Board member.

. Remuneration received by Leopoldo del Pino y Calvo Sotelo from 1 January 2012 to 23 November 2012, on which date he ceased to be a Board member.

. Remuneration received by José Antonio Segurado García from 29 May 2012, on which date he joined the Board.

EXPLANATORY NOTE FOUR, CONCERNING SECTION B.1.12.

- In 2012, of the total remuneration corresponding to all the executives of the Ebro Foods Group (excluding the Executive Director), €5 thousand correspond to the Deferred Annual Variable Remuneration, linked to the Group's Strategic Plan 2010-2012, corresponding to 2010. A provision was recognised for this amount in the 2010 accounts.

- A provision of €145 thousand was also recognised in the 2012 accounts for the Deferred Annual Remuneration linked to the Group's Strategic Plan 2010-2012, corresponding to 2012 and representing 70% of the three-year period. This amount will accrue and be payable in 2014.

- The Deferred Annual Remuneration Scheme is not indexed to the value of the Ebro Foods share; nor does it imply receipt by the beneficiaries of shares or any other rights thereover.

- The remuneration of all the executives of Ebro Foods has been taken into account, even though not all of them are included in the senior management.

- Finally, the amount indicated in this section also includes the remuneration and termination benefits received in 2012 by another two executives who left the company during the year.

#### EXPLANATORY NOTE FIVE, CONCERNING SECTIONS B.1.11 AND B.1.12.

Ebro Foods, S.A. has taken out and maintains a civil liability insurance policy for its directors and executives, covering all its subsidiaries, with a limit on compensation of €45 million/year, with an annual cost of €67,500, valid up to 30 April 2013. This policy is currently in the process of renewal.

#### EXPLANATORY NOTE SIX, CONCERNING SECTION B.1.13.

The contracts of two executives contemplate guarantee clauses in the event of dismissal or takeover in excess of the compensation established in the Workers' Statute.

The clauses initially established for other executives are now below the compensation established in the Workers' Statute, owing to their accumulated seniority.

#### EXPLANATORY NOTE SEVEN, CONCERNING SECTION B.1.17.

- Instituto Hispánico del Arroz, S.A. has a 15.879% stake in Ebro Foods, S.A., held in part directly and in part through Hispafoods Invest, S.L.

- Antonio Hernández Callejas has an indirect interest in Ebro Foods, S.A. through the 15.879% interest held in the company by Instituto Hispánico del Arroz, S.A.

- María Blanca Hernández Rodríguez has an indirect interest in Ebro Foods, S.A. through the 15.879% interest held in the company by Instituto Hispánico del Arroz, S.A.

- Demetrio Carceller Arce has an indirect interest in Ebro Foods, S.A. through the 9.749% indirect interest held in the company by Sociedad Anónima Damm.

#### EXPLANATORY NOTE EIGHT, CONCERNING SECTION B.2.1.

The Audit Committee of Ebro Foods, S.A. is called the Audit and Compliance Committee.

The Nomination Committee of Ebro Foods S.A. is the Nomination and Remuneration Committee.

#### EXPLANATORY NOTE NINE, CONCERNING OTHER MATTERS OF INTEREST

1. Ebro Foods, S.A. has an interest of less than 20% (16.822% at 31 December 2012) in Biosearch, S.A. This interest is recognised in the Ebro Group accounts as "Available-for-sale financial assets".

Biosearch, S.A. is a listed company with activities similar to the objects of Ebro Foods, S.A. Miguel Ángel Pérez Álvarez, non-member Secretary of the Board of Ebro Foods, is proprietary director of Biosearch.

The transactions made between 1 January and 31 December 2012 between different companies in the Ebro Foods Group and Biosearch, S.A. are listed below:

- Herba Ricemills, S.L.U.: purchase of goods (finished or otherwise) for €108 thousand.
- Herba Ricemills, S.L.U.: receipt of services for €77 thousand.
- Herba Ricemills, S.L.U.: leases (income) for €25 thousand.
- Dosbio 2010, S.L.U.: leases (expense) for €28 thousand.
- Ebro Foods, S.A.: rendering of services for €90 thousand.

2. Ebro Foods has a significant interest of 9.333% in Deoleo, S.A., a company with activities similar to the objects of Ebro, recognised in the Ebro Group accounts as "Available-for-sale financial assets".

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

The transactions made between 1 January and 31 December 2012 between different companies in the Ebro Foods Group and Deoleo are listed below:

- Herba Ricemills, S.L.U.: purchase of goods (finished or otherwise) for €32 thousand.
- Herba Ricemills, S.L.U.: rendering of services for €23 thousand.
- Herba Ricemills, S.L.U.: receipt of services for €31 thousand.
- Lassie Nederland, B.V.: receipt of services for €156 thousand.
- Lustucru Riz, S.A.: purchase of tangible, intangible or other assets for €653 thousand.



This section may be used to include any other information, clarification or qualification relating to the previous sections of the report, provided it is relevant and not repetitive.

In particular, state whether the company is subject to any laws other than the laws of Spain on corporate governance and, if this is the case, include whatever information the company may be obliged to supply that differs from the information included in this report.

Binding definition of independent director:

State whether any of the independent directors have or have had any relationship with the company, its significant shareholders or its executives which, if sufficiently large or significant, would have disqualified the director from being considered independent pursuant to the definition set out in section 5 of the Unified Code of Good Governance.

NO

Date and signature:

This annual corporate governance report was approved by the Board of Directors of the company on

28/03/2013

State whether any directors voted against approval of this Report or abstained in the corresponding vote.

NO

**ANNEX TO THE**  
**ANNUAL CORPORATE GOVERNANCE REPORT 2012**  
**OF EBRO FOODS, S.A.**

Under section 61 bis of the Spanish Securities Market Act, listed companies are obliged to publish an annual report on corporate governance.

The National Securities Market Commission (CNMV) has established that until the legislative processes for developing the new model of report have been completed, the annual corporate governance report may be drawn up according to the contents and structure of the model established in Circular 4/2007, without prejudice to the obligation to include the contents stipulated in section 61 bis of the Securities Market Act not specifically included under any of the sections of the model and forms currently used.

For this reason, on drawing-up its annual accounts 2012 the board of directors of Ebro Foods, S.A. (hereinafter, the company) issues this supplement to the annual corporate governance report.

**1. Information on the securities that are not traded on an EC regulated market, indicating the different classes of shares, if any, and for each class of shares the rights and obligations conferred and the percentage of capital represented by treasury stock and any significant variations thereof (Securities Market Act s. 61bis.4(a)(3)).**

The company has not issued any shares that are traded on a non-EC market.

**2. Any restriction on the transferability of shares and any restriction on voting rights (Securities Market Act s. 61bis.4(b)).**

No restrictions are established in the Articles of Association on the transferability of shares or on voting rights..

**3. Information on the rules applicable to alteration of the company's articles of association (Securities Market Act s. 61bis.4(c)(4)).**

There are no requirements for altering the articles of association other than those stipulated in the Corporate Enterprises Act.

**4. Information on significant agreements entered into by the company and which become effective, are modified or terminated in the event of a change of control of the company following a takeover bid, and the effects thereof, except when disclosure may be seriously detrimental to the company. This exception will not be applicable when the company is obliged by law to disclose this information (Securities Market Act s. 61bis.4(c)(4)).**

Ebro Foods has not entered into any agreements of this nature.

**5. Information on agreements between the company and its directors, executives or employees establishing indemnities upon resignation or unfair dismissal, or if their employment is terminated following a takeover bid (Securities Market Act s. 61bis.4(c)(5)).**

In 2006 the Chairman, Antonio Hernández Callejas, announced to the board his full, irrevocable waiver of the golden parachute clause originally included in his contract, consisting of a net indemnity equivalent to two years' gross total annual remuneration.

The contracts of two other Ebro Foods executives include guarantee clauses or events of dismissal or takeover, varying between one and two years' remuneration.

In the contracts of other executives, the compensations initially contemplated are now below the indemnity established in the Workers Statute, owing to their length of service.

Finally, when we mention "executives", we refer to all employees holding management positions in Ebro Foods, although they are not all included in the Senior Management.

**6. Information on the powers of board members, particularly concerning the authority to issue or buy back shares (Securities Market Act s. 61bis.4(c)(3)).**

**6.1 Information on the powers of board members**

Antonio Hernández Callejas, Chairman-CEO, is the only director authorised (as a class A attorney) to exercise the powers indicated below:

One: Represent the company and use its authorised signature, representing the company in all kinds of transactions, businesses, contracts and agreements included within its objects. Make with the European Union, state, regional (autonomous community), provincial, island or local authorities and, in general, with any public or private person or entity, and enter into works, services or supplies contracts awarded by tender, auction, direct agreement or by any other form of awarding contracts permitted by law, submitting and signing the corresponding bids, accepting any awards made in favour of the company, performing such actions and signing such public or private documents as may be necessary or convenient for the execution, fulfilment and settlement of the contract in question.

These powers shall be exercised jointly and severally by any of the class A attorneys whenever the amount of each transaction, business or contract is equal to or less than 50,000 € and jointly by any two of them for amounts over 50,000 €.

Two: Plan, organise, direct and control the development of the company and all its activities, work places and facilities, reporting to the Chairman of the Board and

proposing such changes as the attorney may consider necessary in the corporate organisation.

These powers shall be exercised jointly and severally by any class A attorney.

Three: Sell, buy, swap, replace, assign, encumber and dispose of, under whatsoever title, all kinds of assets, including real estate, stocks and shares, and furnish guarantees to subsidiaries and third parties. Participate in the founding and organisation of all kinds of companies and entities, accepting and making appointments therein.

These powers shall be exercised jointly by two class A attorneys.

Four: Stipulate, make, accept, alter, withdraw and cancel appropriations, deposits and bonds, provisional or final, at any public or private entity, including the government depositary (*Caja General de Depósitos*) and the Bank of Spain.

These powers shall be exercised jointly and severally by any class A attorney or jointly by two class B attorneys.

Five:

a) Open, use, settle and cancel current, savings or credit accounts at any bank, including the Bank of Spain, or other credit institutions and savings banks, signing such documents as may be necessary or convenient for this purpose, and draw down and withdraw funds from them using cheques, drafts, receipts and transfer orders.

b) Arrange, make and enter into loan transactions and sign such public and private documents as may be necessary, reporting to the board at the first meeting held thereafter of any use made of these powers.

All these powers shall be exercised jointly by two class A attorneys.

The powers of opening and withdrawing from accounts contemplated in paragraph a) may be exercised jointly by two class B attorneys, provided the amount of the transaction does not exceed 50,000 €.

Six: Draw, accept, collect, pay, endorse, protest, discount, guarantee and negotiate bills of exchange, trade or finance bills, promissory notes, cheques and other draft and exchange instruments. Make endorsements and discounts of receipts, commercial paper of whatsoever nature, setting the terms and conditions thereof, and payment orders against the Treasury, banks, deposit entities and any other institutions or entities at which the company may hold securities, bills, cash or any other kinds of assets.

These powers shall be exercised jointly by two class A attorneys.

Seven: Claim, collect and receive any sums due or payable to the company, in cash, bills, notes or whatsoever other form, by individuals, banks, other such institutions,

the European Union, state, regional, provincial, island or local authorities and, in general, by any public or private entity. Issue and request receipts, establish and settle balances and accounts. Establish the terms of payment of any sums due to the company, grant extensions, set instalments and the amounts thereof.

Accept from debtors all kinds of personal and real sureties and guarantees, including chattel and real-estate mortgage guarantees, possessory or non-possessory pledges, with such terms, conditions and clauses as the attorney may deem fit, and cancel them on receipt of the secured amounts or receivables.

These powers shall be exercised jointly and severally by any class A attorney.

The powers of claiming, collecting and receiving any amounts due or payable to the company in cash, bills, notes or whatsoever form by individuals, banks, other institutions or entities, the European Union, state, regional, provincial, island or local authorities and, in general, by any public or private entity may also be exercised jointly by any two class B attorneys.

Eight: Make all kinds of payments, doing whatsoever may be necessary to secure due fulfilment of all the company's obligations and request the appropriate receipts.

These powers shall be exercised jointly and severally by any of the class A attorneys whenever the amount of each transaction, business or contract is equal to or less than 50,000 € and jointly by any two of them for amounts over 50,000 €.

Nine: Represent the company before third parties and in, on or before all kinds of councils, chambers, commissions and committees of whatsoever nature, associations, mutual societies, registries, delegations, offices and departments of the European Union, state, regional, provincial, island or local authorities or any other administrative, governmental or other centres, institutions or bodies, at all levels and instances, both Spanish and foreign, or appoint a person who is to exercise such representation on behalf of the company. Exercise all rights and interests corresponding to the company. Make requests and applications. Institute such enquiries as may be appropriate, requesting any data, copies or documents in the company's interests and making claims, including any claims requiring prior settlement, and lodge appeals of any nature in administrative channels. Withdraw from enquiries, claims and appeals at any stage of the proceedings and execute or enforce final decisions. Answer or request notary and other instruments, certificates and requests. Requests such certificates, transcripts and certified copies as may be in the company's interests.

These powers shall be exercised jointly and severally by any class A attorney or jointly by two class B attorneys.

Ten: Appear and represent the company before courts, tribunals, prosecution services, juries or other contentious-administrative or labour bodies, authorities or centres, in all jurisdictions and at all instances and levels, both Spanish and from any other country or international organisation, entering into such legal relationships as they may deem fit, especially complying with the requirement established in section

45.2(d) of Act 29/1998 of 13 July by merely signing the brief filing a contentious-administrative appeal (appeal for judicial review).

Grant and revoke powers of attorney to lawyers, solicitors, barristers and attorneys-at-law.

Exercise all kinds of claims and actions, file all kinds of pleas and defence in any proceedings, formalities or appeals, as claimant/plaintiff, defendant or in whatsoever other status. Lodge and file all kinds of ordinary and extraordinary judicial claims and appeals, including appeals for review and to the Supreme Court. Abandon and withdraw from judicial actions, claims, litigations and appeals at any stage of the proceedings. Answer interrogatories and questioning in court as legal representative of the company and, whenever so required, make express, personal ratification. Compromise on and submit to arbitration any business in which the company may have an interest. Execute or enforce final court judgments.

Represent the company and participate on behalf of the company in all kinds of receivership, stoppage of payments, bankruptcy or insolvency proceedings, compositions or arrangements with creditors or winding up under supervision of the court, proving the company's claims, endeavouring to protect them and accepting awards in payment, granting or denying reductions and extensions. Appoint, accept and reject trustees, administrators, experts and receivers and propose and challenge proposals made in the respective arrangements. Compromise, agree on instalments, reductions and extensions contemplated in the arrangement, sign arrangements and follow the proceedings through all stages and formalities up to the fulfilment and execution of the final awards and decisions.

Choose addresses and submit tacitly or expressly to jurisdictions.

These powers shall be exercised jointly and severally by any class A attorney.

Eleven: Execute the resolutions adopted by the board of directors or executive committee regarding the executive personnel, after hearing the opinion of the nomination and remuneration committee; and in respect of other employees, recruit, move, penalise, suspend and dismiss employees; establish remunerations, salaries and other emoluments of any employee; grant termination benefits and, in general, solve all and any issues concerning company employees. Appoint and revoke representatives and agents.

These powers shall be exercised jointly and severally by any class A attorney.

Twelve: Execute and fulfil the resolutions adopted by the general meeting of shareholders and the board of directors, as well as the executive committee and the managing director, if any, executing, where necessary, such deeds and other public or private documents as may be required by the legal nature of the actions taken and transactions made.

These powers shall be exercised jointly and severally by any class A attorney.

Thirteen: Grant powers of attorney to third parties delegating all or part of the powers vested in him herein, and revoke powers of attorney, in full or in part, including any granted prior to this power of attorney, executing such public or private documents as may be necessary for this purpose and reporting to the board at the next meeting held of any use made of this power.

These powers shall be exercised jointly by three class A attorneys.

Fourteen: Attend and represent the company at the general meetings of shareholders and/or partners of all the companies in the Ebro Group and adopt such resolutions as may be deemed necessary, without limitation.

These powers are granted exclusively to the following attorneys and shall be exercised jointly and severally by any of them: Antonio Hernández Callejas, Pablo Albendea Solís, Miguel Ángel Pérez Álvarez and Yolanda de la Morena Cerezo.

## **6.2 Information on the powers of board members regarding the power to issue or buy back shares**

No member of the board is authorised to issue or buy back shares.

It is mentioned here that at the AGM held on second call on 15 June 2011, the shareholders resolved, under item six on the agenda, to authorise the board to increase the capital on one or several occasions, by such amount as it may decide and up to the maximum limit established by law, over a period not exceeding five years, and to resolve to exclude the preferential subscription right in the event of issuing shares and/or convertible debentures if so required in the interests of the company. That resolution has not been revoked and is transcribed in section E.8 of the annual corporate governance report 2011.

## **7. Description of the main characteristics of the internal risk management and control systems in the financial reporting process.**

### **7.1 Control of the company**

#### **7.1.1 Bodies and/or persons responsible for: (i) the existence and maintenance of an adequate and effective FRICS; (ii) its implementation; and (iii) its supervision**

As established in its Regulations, the board is ultimately responsible for the existence, maintenance and oversight of an adequate, effective financial reporting internal control system (FRICS), assigning the existence and maintenance of procedures to ensure that the financial reporting is correct to the Audit and Compliance Committee and the design and promotion to the Management Committee.

The Management Committee is responsible for the design, implementation and functioning of the FRICS, through the Group financial department, as well as the financial departments of the different business units. The different general

managements are responsible for effective implementation of these systems within their respective areas of activity.

The Audit and Compliance Committee supervises the Group financial reporting, assisted by the internal audit department, the auditors and executives of the organisation (finance area or other areas) as and when this may be necessary.

According to the Regulations of the Board, the Audit and Compliance Committee is responsible for:

- a) Supervising and promoting internal control of the company and its risk management systems.
- b) Overseeing and promoting the policies, procedures and systems for preparing and controlling the company's financial reporting, checking the services performed in this regard by the Internal Audit Department, Finance Management and Management Committee, making sure they are adequately distributed within the Group.
- c) Ensuring that the internal control systems are adequate and effective in respect of the accounting principles and practices used when drawing up the company's annual accounts, supervising the policies and procedures established to guarantee due compliance with the applicable legal provisions and internal regulations.
- d) Overseeing fulfilment of the internal codes of conduct and corporate governance rules. In particular, ensuring the implementation of and compliance with the codes and internal regulations applicable to the risk management and control system, both in general and in relation to the financial reporting process.

#### **7.1.2 Whether the following exist, particularly in connection with the preparation of financial reporting:**

**Departments and/or mechanisms responsible for: (i) the design and review of the organisational structure; (ii) clearly defining the lines of responsibility and authority, with an adequate distribution of tasks and duties; and (iii) the existence of sufficient procedures for their correct publicising within the company**

As established in its Regulations, the board is responsible for defining the general strategy and guidelines for management of the company and boosting and supervising the actions taken by the senior officers, establishing an organisational structure that will guarantee the utmost efficiency of the senior management and the management team in general.

According to the Regulations of the Board, the Nomination and Remuneration Committee is responsible for checking the criteria followed regarding the composition and structure of the board and for selecting candidates for the board. It also nominates the chairman, CEO or managing directors and secretary of the board and proposes the assignment of directors to the different board committees, the members



of the Management Committee and any other advisory committees that the board may create.

In turn, the Nomination and Remuneration Committee supervises the Senior Management of the company, both in appointments and removals and in assessing the senior executive remuneration and incentives policy, informing on the criteria applied in the subsidiaries, and the executive promotion, training and selection policies of both the parent and its subsidiaries.

Within each group company, the organisational structure of the units participating in the preparation of financial reporting depends on several factors, such as the volume of operations or type of business, but in all cases it corresponds to the need to cover the main duties of recording, preparing, checking and reporting the operations performed and the economic and financial position of the company. The executive directors and management of Ebro Foods participate actively in the management committees of the group's subsidiaries, thereby guaranteeing direct communication through the lines of responsibility and authority.

The senior management and the human resources departments of the Group and each of the subsidiaries are responsible for designing the organisational structure according to local needs, the most important subsidiaries having a formal definition through organisation charts, which include a description of the duties and responsibilities of the main areas participating in internal control of financial reporting.

The different descriptions of positions and responsibilities are maintained by the human resources department of each subsidiary and the managements of all the subsidiaries, especially the financial management, are informed of any new member of a subsidiary.

**Code of conduct, body responsible for approval, degree of disclosure and instruction, principles and values included (stating whether there are specific mentions to the recording of transactions and preparation of financial information), body responsible for analysing default and providing corrective measures and penalties**

The Code of Conduct of the Ebro Group, an update of the Code of Ethics of 2003 and Code of Conduct of 2008, was approved by the board on 28 March 2012 and all levels of the organisation were notified.

The Code of Conduct provides guidance on how to act in the Group's internal and external relationships, strengthening the values that distinguish us and establishing a basic reference to be followed by the Group.

The Code aims to:

- Be a formal, institutional reference for personal and professional conduct.
- Guarantee the responsible, ethical behaviour of all the Group's professionals in their work.
- Reduce the element of subjectivity in personal interpretations of moral and ethical principles.

- Create a standardization tool to guarantee progressive implementation throughout the Group of the ten principles of the United Nations Global Compact.
- Grow responsibly and committed to all our stakeholders.

As established in the Code of Conduct, that the Group assumes a principle of conduct based on informative transparency, consisting of an undertaking to report reliable financial, accounting or other information to the markets. Accordingly, the company's internal and external financial reporting will give a true and fair view of its real economic, financial and equity situation according to generally accepted accounting principles.

Employees formally sign the Code of Conduct when they join the workforce of practically any Group company and it has been distributed among all Group employees during the year.

The Code of Conduct is also published in the Intranet, where it can be consulted by any employee, and on the Group's website.

The Audit and Compliance Committee, by delegation of the Ebro Foods Board of Directors, is responsible for monitoring and controlling application of the Code.

The Audit and Compliance Committee has an e-mail address to which any Group employee may send queries and suggestions regarding the interpretation of the Code of Conduct. The Audit and Compliance Committee reports regularly to the Group's Board of Directors, after obtaining a report from the Corporate Social Responsibility Management, on any queries raised in respect of the interpretation and application of the Code of Conduct, how they have been solved and, where appropriate, the interpretation criteria followed.

**Whistle-blowing channel, through which the Audit Committee can be informed on any financial and accounting irregularities, as well as any breaches of the code of conduct or irregular activities in organisation, indicating whether that channel is confidential**

As established in the Regulations of the Board, the Audit and Compliance Committee is formally responsible for implementing a whistle-blowing channel accessible to all Group employees and defining a protocol for prioritising, processing, investigating and settling reports according to their importance and nature.

For this purpose, the Ebro Group has, through its Code of Conduct, established a whistle-blowing or reporting channel through which any irregular conduct in financial, accounting or other areas and any breach of the code of conduct can be reported confidentially.

The Audit and Compliance Committee has a specific e-mail address through which any employees may report whatever conduct they may consider necessary and contact the Audit and Compliance Committee to inform on breaches of the code of conduct.

The Audit and Compliance Committee guarantees the confidentiality of the reports handled, according to a confidentiality commitment signed by all those involved in handling the reports and other precautions included in the “Report Handling Protocol”. That protocol, approved by the Audit and Compliance Committee this year, establishes the procedure to be followed on receiving reports, regarding their processing, prioritising, solving and notification.

### **Training programmes and regular updates for employees involved in the preparation and checking of financial information and evaluation by the FRICS, covering at least accounting and auditing standards, internal control and risk management**

The Group has a policy of making sure it has personnel with sufficient training and experience to carry out the duties and responsibilities assigned to them. Training plans are established for employees every year covering different areas of application. Those training plans are implemented in each subsidiary according to its needs.

The Ebro employees involved in the preparation and checking of the financial information and FRICS evaluation participate in training and refresher courses regarding the laws and standards in place from time to time and good practices to guarantee the reliability of the financial information generated.

The Group also encourages and provides means and resources for its employees to keep their accounting knowledge up to date through the attendance of seminars, on-line information and other means and regular meetings are held with the external auditors to assess in advance the standards in place.

During the year the Ebro Group has focused its training for personnel involved in the preparation and checking of financial information and FRICS evaluation on the following aspects:

- Accounting updates
- Management and control of costs for business decision-making
- Training in the tax laws in different countries
- Financial reporting internal control system manual

During the year approximately 1,500 hours of external training have been given to a total of 160 employees distributed among the different areas involved in the generation and checking of the financial reporting of Group subsidiaries.

## **7.2 Measurement of risks in financial reporting**

### **7.2.1 What are the main features of the risk identification process, including risks of error or fraud, in respect of:**

#### **Whether the process exists and is documented**

Risk Management is a process established by Management and supervised by the board through the Audit and Compliance Committee. This process is specified

through the Risk Management System based on the Corporate Risk Management Policy.

The potential risks events that could affect the organisation are identified and assessed through the Risk Management System, pinpointing and assessing the risks corresponding to each line of business. Through this Risk Management System the Ebro Group has drawn up a Consolidated Risk Map by compiling and combining the risk maps of its major subsidiaries.

This process is coordinated by a group-level team, which manages and establishes the permitted tolerance to the risk and coordinates actions to bring the measures dealing with the risk in line with the Group's global risk policy.

Based on the results obtained, systems are devised for addressing risks and internal control, to keep the likelihood and impact of those risks within the tolerance levels, thereby providing reasonable certainty regarding achievement of the strategic business goals.

The Ebro Group currently has a tool with which it is able to manage the Risk Management System, which covers all the most significant risks of the Ebro Group.

**Whether the process covers all the financial reporting objectives (existence and occurrence; integrity; measurement; presentation, breakdown and comparison; and rights and obligations); whether it is updated and how often**

The Ebro Group has established a continuous improvement process to minimise the risks related with financial reporting, implementing an internal control system.

For this purpose, it has a process identifying the risks affecting the reliability of financial reporting, based on and beginning with a definition of the scope, according to quantitative criteria of materiality in respect of the consolidated amounts and other qualitative criteria (error, fraud, uncommon transactions, etc.). Companies in the business units or divisions that meet any of the afore-mentioned criteria and the material accounting items of each one are defined according to those criteria. Once the material items have been defined on a company level, the processes and sub-processes they affect are established, according to a relationship matrix.

For each of the sub-processes included within the scope, the inherent risks are identified and the checks made by the responsible persons to mitigate those risks are defined, setting this information down in a Risks-Controls Matrix. Those risks take account of all the financial reporting objectives (existence and occurrence; integrity; measurement; presentation, breakdown and comparison; and rights and obligations).

The financial reporting risks are identified in the Risks-Controls Matrix and updated to take account of any changes in the scope of consolidation of the Group, development of its business and their reflection in the financial statements, making a comparative analysis every year of the variations in material processes and sub-processes to establish any risks that have not been previously identified.

## **The existence of a process for defining the scope of consolidation, taking into account, among other aspects, the possible existence of complex corporate structures, base companies or special purpose vehicles**

The Ebro Group has a documented process based on internal regulations that guarantees the correct identification of the scope of consolidation through an adequate separation of duties in the requesting, authorising, reporting and recording of any operation entailing the incorporation, merger, division, acquisition or sale of companies and any other corporate operation, directly involving the legal department, management committee and the board.

This process considers the possible existence of complex corporate structures, base companies or special purpose vehicles, among other means by establishing an adequate structure to separate the duties of requesting, authorising and reporting for any corporate operation within the Group. However, transactions or complex corporate structures that might entail off-balance sheet transactions which should be recorded within it are not identified at present.

## **Whether the process takes into account the effects of other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they affect the financial statements**

The Risks Management System of the Ebro Group is designed to identify potential risk events that might affect the organisation. At present there are four types of risks: Operating, Compliance, Strategic and Financial risks, and the conclusions are taken into account insofar as the risks may affect financial reporting.

## **Which governing body of the company supervises the process**

According to the regulations of the board, the Audit and Compliance Committee is responsible for regularly checking the internal risk management and control systems ensuring that the principal risks are adequately identified, managed and disclosed.

### **7.3 Control activities**

#### **7.3.1 Procedures for checking and authorising financial information to be published on the stock markets and description of the FRICS, indicating who is responsible for these tasks and documentation describing the flows of activities and controls (including those checking for the risk of fraud) in the different types of transactions that may have a material effect on the financial statements, including the procedure for closing of accounts and the specific review of judgements, estimates, valuations and significant projections**

The priorities established within the Ebro Group include the quality and reliability of the financial information, both internal for decision-making and that published on the markets. The information to be provided by the different units is requested by the Group financial department, paying special attention to the processes of closing the accounts, consolidation, measurement of intangibles and areas subject to judgement and estimates.

The Ebro Group has procedures for checking and authorising financial information and description of the FRICS, responsibility for which corresponds to the financial department, the management committee, the Audit and Compliance Committee and the board.

The Audit and Compliance Committee checks and analyses the financial statements and any other important financial information, as well as the principal judgements, estimates and projections included and discusses them with the corporate financial department and the internal and external auditors to confirm that the information is complete and the principles applied are consistent with those of the previous full-year accounts.

The procedure for checking and authorising the financial information corresponds to the Group financial department, based on the information checked and validated by the different units. The Audit and Compliance Committee supervises this information to be published on the market.

The Group has implemented an improvement process to increase the documentation and make the generation of financial information and its subsequent supervision more effective and efficient.

The significant processes involved in the generation of the Group's financial information are documented based on the COSO internal control model. The main processes documented are:

- Closing of Financial Statements and Reporting
- Consolidation
- Sales and Receivables
- Purchases and Payables
- Fixed Assets
- Inventories
- Payroll
- Cash.

The documentation outline is extended progressively, according to the materiality and the general criteria established in the Group's financial reporting internal control system. Responsible persons have been identified for each of the documented processes in each subsidiary, who are responsible for keeping those processes up to date on an annual basis, reporting to the Group all and any modifications made.

Process documentation includes details of the flows and transactions and the financial reporting objectives and controls established to ensure they are met. It also contemplates the risks of error and/or fraud that might affect the financial reporting objectives. The documentation of flows of activities and controls that may have a material effect on the financial statements, including the accounts closing procedure, includes the preparation of narratives on the processes, flow diagrams and risk and control matrices. The controls identified are both preventive and detective, manual and automatic, describing also their frequency and associated information systems.

### **7.3.2 Internal control procedures and policies for the IT systems (including access security, track changes, operation, operating continuity and separation of duties) used for the significant processes of the company in the preparation and publication of financial information.**

The Group has rules of action for managing information security. Those rules are applicable to the systems used to generate financial information and the IT Department is responsible for defining and proposing the security policies.

Within its policies and infrastructure management the Ebro Group has procedures to secure each of the following points:

- i) Both physical and logical access are controlled to ensure that only authorised internal and external personnel can access the Ebro centres and systems. Ebro has several Data Centres, the main one in Spain where the company's critical systems are housed. The major subsidiaries also have local data centres. They all have their own infrastructure to guarantee adequate control of access to the installations. In small subsidiaries, the general rule is to have external service providers to provide that security. When external service providers are used, the Ebro Group makes internal audits of the information systems and their architecture, including the security aspect.

Logical access control is secured with efficient management of access to our systems, whether internal or external, and through a user management coordinated with the human resources department and the company's group of managers. Ebro has user access control systems and workflow tools to guarantee intra-departmental integration and efficient updating of user status, regularly identifying those who no longer access the systems. External access is guaranteed through specific users and controlled management.

- ii) The larger subsidiaries mainly use the ERP system called SAP. In all those cases, Ebro has procedures underpinned by systems in which production changes are filtered and assessed, their life cycle managed, and disseminated after acceptance by specific users and impact analysis in the systems currently used in production.
- iii) The separation of duties is underpinned by the use of roles by groups of users, which allow access only to the information and transactions previously approved by the organisation. The modification or creation of new roles is backed by the same procedure that guarantees management of the user life cycle and is applicable to the major companies of the Ebro Group.
- iv) Ebro has internal tools which, combined with the user support departments and systems (Help Desk), guarantee the management and traceability of incidents in the IT systems.

The critical information systems are always housed in our data centres and there are individuals assigned to each one who are responsible for proactive monitoring of the automatic processes and proactive assessment of the yield and functioning of the systems.

Ebro has global contracts with security control tool providers, which guarantee the installation of such tools in all the computer and data processing equipment used in the company.

- v) Ebro has tools to guarantee the continuity of business support by its IT systems in the event of a fatal error or system crash. There are backup systems and policies in its data centres that guarantee access to information and systems in case of a crash. The use of tape backups and replicating the information in several computers with subsequent triangular distribution are habitual procedures for making incremental or complete backup copies. The current systems allow recovery of the information up to the specific time of the fatal error or system crash.

### **7.3.3 Internal control procedures and policies to oversee the management of outsourced activities and any aspects of valuation, calculation or measurement commissioned to independent experts, which may have a material impact on the financial statements**

In general, the Ebro Group manages all activities that may have a material impact on the financial statements directly using internal resources to avoid outsourcing. There are very few outsourced activities and the procedures and controls of those activities are regulated in the contracts signed with the service providers in question.

The valuation, calculation or measurement activities commissioned by the Ebro Group to independent experts are mainly concerned with the appraisal of properties, actuarial studies of commitments to employees and impairment testing of intangibles.

Only service providers of internationally recognised standing are used for these valuation reports, making sure that they are not affected by any fact or event that could compromise their independence.

The reports obtained from these firms are submitted to internal review to check that the most significant assumptions and hypotheses used are correct and that they comply with the International Valuation Standards (IVS) and International Financial Reporting Standards (IFRS).

## **7.4 Information and communication**

### **7.4.1 A specific department responsible for defining the accounting policies and keeping them up to date (accounting policy department or division) and solving queries or conflicts deriving from their interpretation, maintaining fluent communication with those responsible for operations in the organisation, as well as an updated accounting policy manual distributed among the units through which the company operates**

The Ebro Group has adequate procedures and mechanisms to put the applicable criteria across to the employees involved in the preparation of financial information and the IT systems used in that preparation. This is done through the Management



Control Unit and the Corporate Financial Department, whose powers include the following, among others:

- Define, administer, update and report on the Group's accounting policies, in compliance with the applicable accounting standards and rules of consolidation for the preparation and presentation of financial information to be disclosed.
- Prepare, update and report on the Accounting Policy Manual to be applied by all financial units in the Group.
- Settle any queries or conflicts regarding the interpretation and application of the accounting policies, maintaining fluent communication with those responsible for these operations in the organisation.
- Define and create templates, formats and criteria to be used for preparing and reporting the financial information. All financial information distributed on the markets is prepared by consolidating the reports of the different business units, prepared using mechanisms for data input, preparation and presentation that are homogenous for the entire Group. These mechanisms are designed to enable compliance with the standards applicable to the principal financial statements, including accounting criteria, valuation rules and presentation formats and embrace not only the balance sheet, profit and loss account, statement of changes in equity and statement of cash flows, but also the obtaining of other information that is necessary to prepare the notes to the financial statements.

#### **7.4.2 Mechanisms for collecting and preparing financial information with homogenous formats, applied and used by all business units in the company or group, valid for the main financial statements and notes, and the information given on the FRICS**

The Group's financial information is prepared using a process of aggregating separate financial statement at source for subsequent consolidation according to the applicable accounting and consolidation standards, to obtain the consolidated financial information to be published on the markets.

The process of aggregation and consolidation of the Group's financial statements is based on homogenous, common format templates that include different tables and reports to be completed. They also have automatic internal controls to check the integrity and reasonability of the data input.

These templates are validated by a financial manager in each subsidiary before sending them for checking and consolidation. To complete the automatic checks, those data and the estimation, valuation and calculation principles used to obtain them, as well as the accounts closing procedure, are checked by the financial manager at each level of aggregation and consolidation until the Ebro Group consolidated financial information is obtained, prepared and checked by the corporate financial department.

The Ebro Group has established a reporting system for the Financial Reporting Internal Control System, which is available in the Group for all the subsidiaries included within the Scope. Through that reporting system, the management of the parent coordinates maintenance of the system in the rest of the subsidiaries through the assignment of persons responsible for their maintenance and updating in the event of any significant change to be taken into consideration in the documentation. Finally, if any weaknesses are detected in the financial reporting internal control system, the subsidiaries are notified of the necessary action plans and they are monitored by management of the parent.

## **7.5 Supervision of the functioning of the system**

**7.5.1 FRICS supervisory activities performed by the Audit Committee and whether the company has an internal audit department responsible, among its duties, for assisting the committee in its supervision of the internal control system, including the financial reporting internal control system (FRICS). Inform also on the scope of the FRICS appraisal made during the year and the procedure through which the department or body responsible for the appraisal informs on the outcome, whether the company has an action plan defining any possible corrective measures and whether their impact on the financial information has been considered.**

The board is ultimately responsible for the existence, maintenance and supervision of an adequate, effective financial reporting internal control system, which is designed and implemented by the management committee. Among the duties defined in the Regulations of the Board, the Audit and Compliance Committee assists and supports the board in its supervision of the accounting and financial information, the internal and external audit services and corporate governance.

The audit and compliance commission must see that the internal audit procedures, the internal control systems in general, including the risk management control system and in particular the financial reporting internal control system, are adequate; the external auditor and manager of the internal audit department are selected on the basis of objective, professional qualifications, guaranteeing their independence in the performance of their duties; report to the board on any related party transactions submitted for its consideration; control any possible conflicts of interest; and, in general, make sure that all the company's information and reporting, particular financial, complies with the principle of truth and maximum transparency for shareholders and markets.

The internal audit department has submitted its annual working plan to the Audit and Compliance Committee and reported directly to said committee on any incidents detected in the performance of that work, proposing the corresponding action plan defining any necessary corrective measures; and at the end of each year, it has submitted an activity report.

The outcome of the checks made by the internal audit department and any incidents detected have been reported to the Audit and Compliance Committee. Moreover, the

action plan devised for remedying those incidents has been sent to both the person responsible for remedying them and the Audit and Compliance Committee.

**7.5.2 Inform on whether the company has a discussion procedure whereby the auditor (according to the provisions of the auditing standards), the internal audit department and other experts can inform the senior management and audit committee or company directors of an significant weaknesses detected in internal control during the auditing or checking of the annual accounts or any other processes commissioned to them. Indicate also whether the company has an action plan to remedy or mitigate the weaknesses observed.**

The Audit and Compliance Committee has a stable, professional relationship with the external auditors and the main companies in its group, strictly respecting their independence. That relationship favours communication and discussion of any internal control weaknesses pinpointed during the auditing of annual accounts or any other audit work commissioned to them.

In this regard, the Audit and Compliance Committee receives information from the external auditor at least every six months on the audit plan and outcome of its performance, and checks that the senior management heeds the auditor's recommendations.

In addition, as established in the Regulations of the Board, it is responsible for overseeing the Internal Audit Services, being informed on the financial reporting process and internal control systems.

During 2012, the External Auditor attended 3 meetings of the Audit and Compliance Committee and the Internal Auditor has attended 6 such meetings.

**7.6 Other significant information**

N/A

**7.7 External auditor's report**

**7.7.1 Inform as to whether the FRICS information sent to the markets was checked by the external auditor, in which case the company should include the corresponding report in an annex. If not, why not.**

Yes. The external auditor's report is attached.

**EBRO 2012**

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**FINANCIAL  
INFORMATION**

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**CORPORATE SOCIAL  
RESPONSIBILITY**

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**CORPORATE  
GOVERNANCE**

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**REPORT ON THE INFORMATION RELATING TO THE SYSTEM  
OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) OF  
EBRO FOODS, S.A. FOR 2012  
CONSOLIDATED ANNUAL ACCOUNTS**

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**[www.ebrofoods.es](http://www.ebrofoods.es)**

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## REPORT ON THE INFORMATION RELATING TO THE SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR) OF EBRO FOODS, S.A. FOR 2012

To the Directors of  
EBRO FOODS, S.A.:

As requested by the Board of Directors of Ebro Foods, S.A. ("the Entity") and in accordance with our proposal-letter dated 20 December 2012, we have applied certain procedures to the accompanying "Information relating to the ICFR" of Ebro Foods, S.A. for 2012, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the accompanying Information relating to the ICFR system.

It should be noted in this regard, irrespective of the quality of the design and operational effectiveness of the internal control system adopted by the Entity in relation to its annual financial reporting, that the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

Securities Market Law 24/1988, of 28 July, as amended by Sustainable Economy Law 2/2011, of 4 March, stipulates that for the annual reporting periods beginning on or after 1 January 2011, the Annual Corporate Governance Report ("ACGR") must include a description of the main features of internal control and risk management systems with regard to the statutory financial reporting process. In this connection, on 26 October 2011 the Spanish National Securities Market Commission (CNMV) published a draft Circular, modifying the Annual Corporate Governance Report form to be published, which included the approach to be taken by entities with respect to the description of the main features of their system of ICFR. A CNMV letter dated 28 December 2011 contains a reminder of the legal amendments to be taken into consideration when preparing the "Information relating to ICFR" up until the final publication of the CNMV Circular defining a new ACGR model.

Pursuant to subparagraph no. 7 of the content of the system of ICFR contained in the annual corporate governance report form included in the draft CNMV Circular, whereby entities are required to indicate whether the description of the system of ICFR has been reviewed by an external auditor and, if so, to include the relevant report, the financial auditors' representative bodies published Draft Guidelines on 28 October 2011 and the corresponding illustrative auditors' report ("the Draft Guidelines"). In addition, on 25 January 2012, the Spanish Institute of Certified Public Accountants established certain additional considerations in this connection in its Circular E01/2012.

In the course of our audit work on the financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Entity was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Entity's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the Draft Guidelines on the Auditors' Report on the Information relating to the System of Internal Control over Financial Reporting of Listed Companies, which establishes the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case, a reduced scope that is significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Entity's annual financial reporting for 2012 described in the accompanying Information on the ICFR system. Therefore, had we applied procedures additional to those established in the aforementioned Guidelines or performed an audit or a review of the internal control over the regulated annual financial reporting, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the Consolidated Spanish Audit Law, approved by Legislative Royal Decree 1/2011, of 1 July, we do not express an audit opinion in the terms provided for in that Law.

The procedures applied were as follows:

1. Perusal and understanding of the information prepared by the Entity in relation to the accompanying report on the information relating to the system of ICFR and assessment of whether this information addresses all the information required in accordance with the minimum content described in the annual corporate governance report form included in the draft CNMV Circular.
2. Questioning of personnel responsible for the drawing up of the information detailed in point 1 above: (i) to obtain an understanding of the process that goes into drawing up the information; (ii) to obtain information that permits an evaluation of whether the terminology used complies with the framework definitions; and (iii) to obtain information on whether the control procedures described are in place and functioning at the Entity.
3. Review of the explanatory documentation supporting the information detailed in point 1 above, including mainly the documentation furnished directly to the personnel in charge of preparing the information describing the system of ICFR. In this regard, the aforementioned documents include reports prepared for the Audit and Control Committee by internal audit, senior management and other internal or external specialists.
4. Comparison of the information detailed in point 1 above with the knowledge on the Entity's ICFR obtained through the procedures applied during the financial statement audit work.
5. Reading of the minutes taken at meetings of the Board of Directors, Audit and Control Committee and other committees of the Company to evaluate the consistency between the ICFR business transacted and the information detailed in point 1 above.
6. Obtainment of the representation letter in connection with the work performed, signed by those responsible for preparing and formulating the information detailed in point 1 above.

The procedures applied to the Information relating to the ICFR system did not disclose any inconsistencies or incidents that might affect the Information.

This report has been prepared exclusively in the framework of the requirements of Spanish Securities Market Law 24/1988, of 28 July, amended by Sustainable Economy Law 2/2011, of 4 March, and the provisions of the draft CNMV Circular of 26 October 2011 for the purposes of the description of the system of ICFR in Annual Corporate Governance Reports.

DELOITTE, S.L.



Victoria López Téllez

2 April 2013