Barilla Holding Società per Azioni

Annual Report 2005

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Luca, Paolo, Guido Barilla

Chairman's letter

In 2005, we continued to be committed to making changes in our processes and updating our products. We emphasized our values and our culture to the marketplace in order to provide the Company with a stable financial base.

The larger economic picture currently shows some signs of recovery, but it remains unstable due to ongoing cultural changes, not only in Europe, but in all the industrialized countries. In today's world, diverse ethnicities and cultures constantly cross paths and cross-breed and it can be difficult to keep up with the resulting changes in traditions, habits and consumer trends.

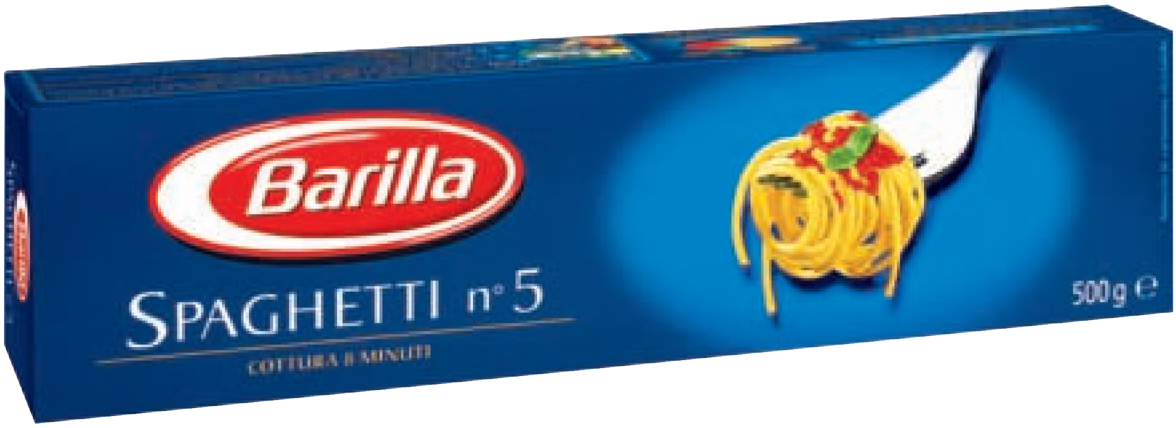
We believe that maintaining the Company's identity should remain a top priority, as should acting decisively to implement our vision. In brief, that means helping people around the world make balanced nutritional choices by offering products that meet their daily needs.

In light of the above, our concept of "gastronomy", one of our strategic assets in international markets, has been reshaped. In conceiving and developing our products, we are ever aware that health must be accessible to all, and we are involved in ongoing scientific research that will allow us to continue to move in that direction in the future. By doing this, we have developed products that are both nutritionally balanced and technologically innovative.

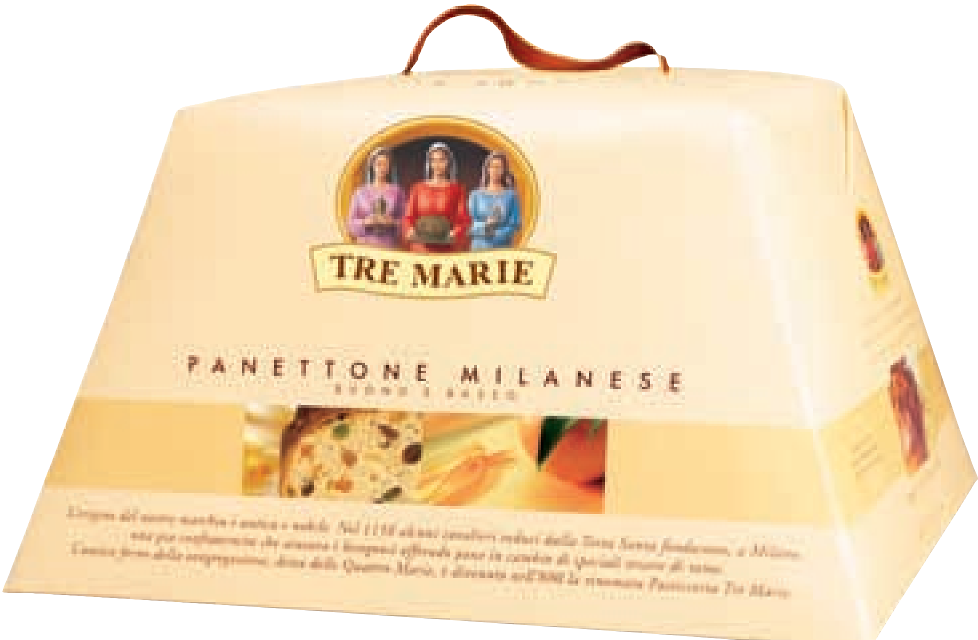
Energy costs will increasingly affect the economies of individual countries, and our strategic choice is to continue to search for effective and cutting-edge industrial solutions capable of capitalizing on the Group's synergies and economies of scale. This will help us in reaching the difficult but fundamental goal of internationalization, for example, by investing in the United States – which currently offers extraordinary opportunities for growth – and in facing head-on the challenges presented by new markets.

Distribution is another key issue. Recently, this market has been flooded with strong promotional offers; our relationships with Customers continue to evolve, and we always aim to work more closely with them. The ultimate goal is for all of us to find a mutually satisfying way to respond to the fact that, overall, the products in this market are suffering from increasingly inferior commodization.

Only by developing a shared vision for the category and relying on true partnerships will we be able to fulfill as-yet-untapped potential through joint action that truly generates value. Above all, we hope to achieve this because it will benefit the people who consume our products, and they are the people who give value and meaning to our daily work.


Barilla
SPAGHETTI n°5
500 g

Summary


TRE MARIE
PANETTONE MILANESE

Directors and officers
Barilla Holding Società per Azioni

Board of directors

Chairman

Guido Maria Barilla

Vice Chairmen

Luca Barilla
Paolo Barilla

Chief executive officer

Robert Steven Singer

Directors

Emanuela Barilla
Paolo Biancardi
Giuseppe Vita

Board of statutory auditors

Chairman

Giampiero Alinovi

Statutory auditors

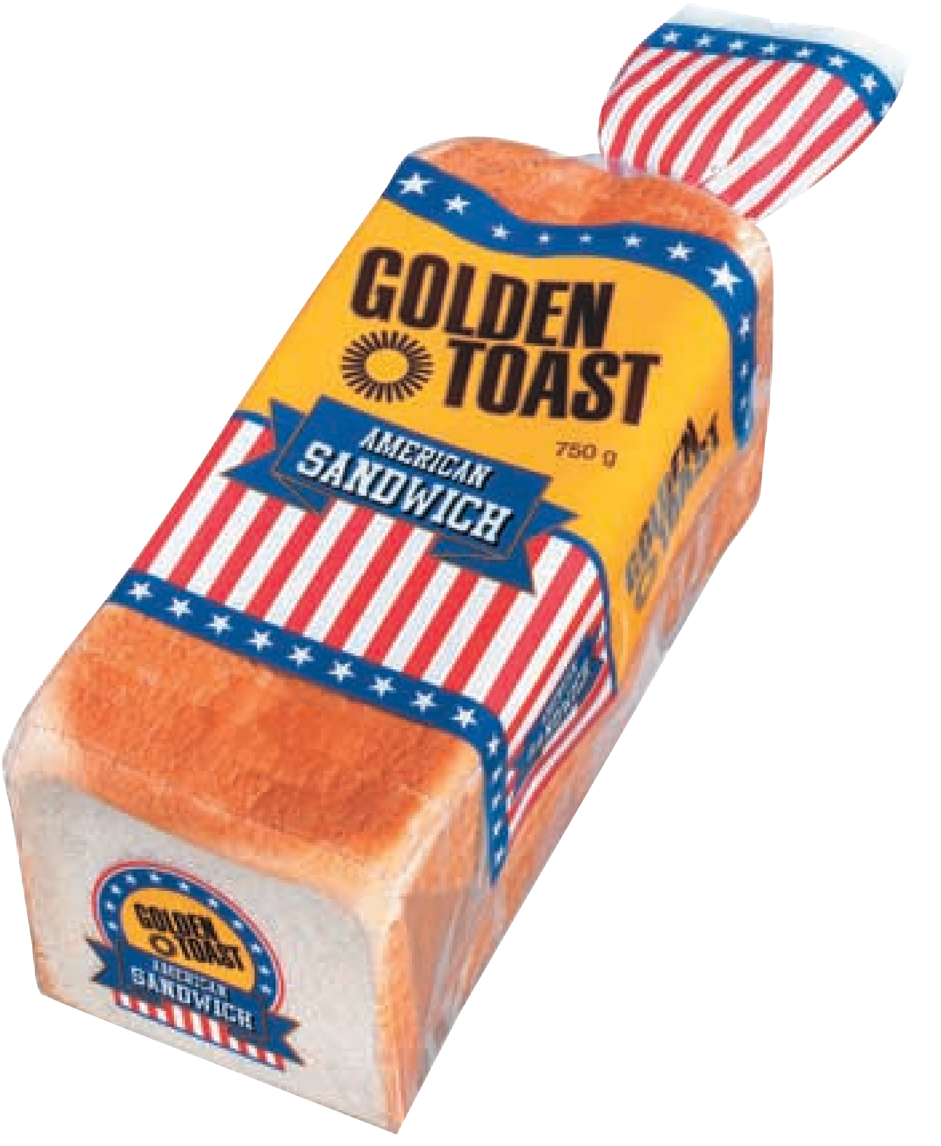
Alberto Pizzi
Augusto Schianchi

Alternate auditors

Franco Chierici
Ugo Tribulato

Independent auditors

PricewaterhouseCoopers S.p.A.


GOLDEN
TOAST
AMERICAN
SANDWICH
750 g

Major economic results of the Group

In 2005 the world economy finally showed signs of recovery although this upturn varies significantly across the various geographical segments. Within this scenario, the results of the business of Barilla Holding Group were in line with the previous financial year, with growth in market share across the principal international markets, thus allowing the company to face future challenges with increased optimism.

In 2005 **revenue** amounted to euro **4,610 million**, a decrease of 1.4% compared to the previous year. This represents a decrease of 0.8% if the scope of consolidation remains unchanged.

Operating activities resulted in a **gross profit of euro 514 million** compared to euro 509 million for the year ended 31 December 2004.

The Group recorded a loss for the year of euro 267.7 million compared to a profit of euro 8 million in 2004. The loss is largely due to the recognition of an **impairment loss of euro 639 million on the goodwill of the Kamps Group**, resulting from a decrease in the value of the Group compared to the carrying value, which was determined using the discounted cash flow method, and the loss for the year of euro 92 million recorded by Kamps. In the event that the impairment loss on the Kamps goodwill had not been recognised (further details of which are provided in the paragraph "Kamps AG"), the Group would have recorded a profit for the year of euro 58 million.

The company Barilla Holding Società per Azioni recorded a loss for the year ended 31 December 2005 of euro 363 million, which is essentially due to the write down of equity investments, compared to a profit of euro 940 million for the previous financial year, which was characterised by extraordinary income arising following application of the provisions of articles 2426 and 2427 of the Italian Civil Code and article 109 of the Consolidated Text on Income Taxes and gains realised following fair value contributions.

It should be noted that again in 2005, Barilla Holding Società per Azioni carried out managerial and coordination activities, as set out in article 2497 of the Italian Civil Code, on behalf of the consolidated Italian subsidiaries.

In addition, commencing 2004 the company, in its role as parent company, enacted a national consolidated taxation regime in accordance with the TUIR (Consolidated Text on Income Taxes) as introduced by the Ministry of Finance decree of 9 June 2004.

The commentary below provides a detailed review of the activities of the individual companies and those of Barilla Holding Società per Azioni in accordance with the disclosure information required by article 2428 of the Italian Civil Code and article 40 of Legislative Decree 127 of 9 April 1971.

The consolidated financial results may be summarised as follows:

euro millions	**2005**	**2004**
Revenue	4,609.5	4,675.3
% growth	(1.4%)	5.4%
Gross profit	513.7	509.1
% of revenue	11.1%	10.9%
Operating profit (pre goodwill impairment)	176.5	167.1
Goodwill impairment	(639.0)	-
Operating profit (post goodwill impairment)	(462.6)	167.1
% of revenue pre impairment	3.8%	3.6%
Net financial expenses	(109.7)	(94.5)
Extraordinary income/ (expenses)	1.2	(43.8)
(Loss)/ profit before tax	(571.1)	28.8
Group (loss)/ profit	(267.7)	8.1
% of revenue	(5.8%)	0.2%
Loss attributable to minority interests	(340.6)	(53.1)
E.B.I.T.D.A.	502.7	498.8
% of revenue	10.9%	10.7%

The E.B.I.T.D.A. performance indicator provides the best measurement of cash generation. This may be further analysed as follows:

euro millions	**2005**	**2004**
Profit/ (loss) for the year	(608.3)	(45.0)
+ Financial and extraordinary (income)/ expenses	108.5	138.3
+ Taxation	37.2	73.8
+ Amortisation/depreciation	326.3	331.7
+ Goodwill impairment	639.0	-
E.B.I.T.D.A.	**502.7**	**498.8**

Financial highlights from the consolidated balance sheet are as follows:

euro millions	**2005**	**2004**
Total assets	**3,983**	**4,743**
Liabilities	3,136	3,278
Total equity	519	779
Minority interest in equity	328	686
Total shareholders' equity	847	1,465
Total liabilities and shareholders' equity	**3,983**	**4,743**

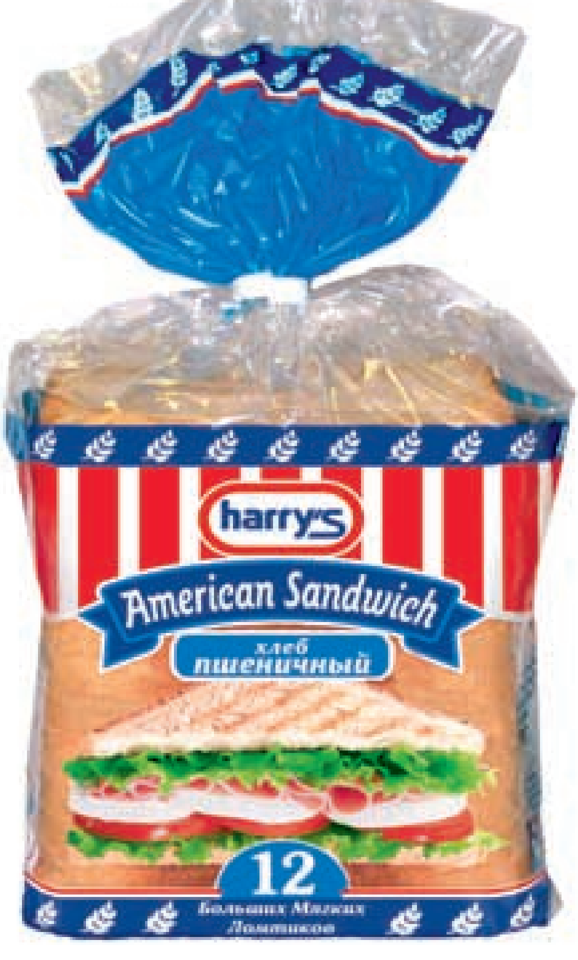
An analysis of revenue by business segment and geographical area is set out in the table below:

euro millions	Barilla G. e R.		Kamps AG		Harry's SCA		GranMilano SpA		Total		%	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
Italy	1,757	1,746			32	29	153	147	1,942	1,921	42.1%	41.1%
Europe (excluding Italy)	494	481	1,308	1,431	463	477	4	7	2,269	2,396	49.2%	51.2%
North America	239	210							239	210	5.2%	4.5%
Rest of the World	106	91			54	57			160	148	3.5%	3.2%
Total	**2,596**	**2,529**	**1,308**	**1,431**	**549**	**562**	**157**	**154**	**4,610**	**4,675**	**100%**	**100%**

E.B.I.T.D.A. by business segment is as follows:

euro millions

	2005 E.B.I.T.D.A.	% of revenue	2004 E.B.I.T.D.A.	% of revenue
Barilla G. e R.	341.0	13.1%	322.7	12.8%
Kamps AG	81.5	6.2%	101.6	7.1%
Harry's SCA	61.9	11.0%	65.7	11.7%
GranMilano SpA	20.9	13.2%	15.2	9.9%
Others	(2.6)	-	(6.4)	-
Total	**502.7**	**10.9%**	**498.8**	**10.7%**


harry's
American Sandwich
хлеб
пшеничный
12
Больших Мягких
Ломтиков

Group structure

Through its subsidiaries, Barilla Holding Società per Azioni manufactures and sells pasta, sauces and bakery products, both fresh and frozen, and ice cream on a worldwide basis.
The current organisational structure of the Barilla Group (hereinafter "Barilla", "Barilla Group" or "the Group") is divided into four sub-holdings: Barilla G. e R. Fratelli SpA, GranMilano SpA, Kamps AG and Harry's SCA and their respective subsidiaries.
Barilla today operates directly in 21 countries and exports its products to more than 100 countries. It owns 80 production facilities in 12 countries and employs 20,414 people worldwide.

Barilla Holding Società per Azioni

Barilla G. e R. Fratelli S.p.A

Board of directors

Chairman
Guido Maria Barilla

Vice Chairman
Luca Barilla
Paolo Barilla

Chief executive officer
Gianluca Bolla

Directors
Emanuela Barilla
Paolo Biancardi
Nicolaus Issenmann
Manfredo Manfredi
Robert Steven Singer

Board of Statutory auditors

Chairman
Augusto Schianchi

Statutory auditors
Giampiero Alinovi
Mario Tardini

Alternate auditors
Franco Chierici
Alberto Pizzi

GranMilano S.p.A.

Board of directors

Chairman
Luca Barilla

Directors
Andrea Allodi
Franco Ferrarini
Paolo Biancardi

Board of Statutory auditors

Chairman
Giampiero Alinovi

Statutory auditors
Stefano Tronconi
Mario Tardini

Alternate auditors
Guido Ascer Guetta
Claudio Valz

Kamps AG

Supervisory board

Chairman
Wolfgang Keller

Guido Maria Barilla
Paolo Barilla
François Carrard
Enrico Fagioli Marzocchi
Nicolaus Issenmann
Francesco Mazzone
Augusto Schianchi
member since 01/05/'05

Employee representatives
Ernst Busch
Barbara Erath
Hans-Werner Wasmund
Carsten Kelbch
Peter Störling
member since 01/03/'06
Herbert Gluma
Ernst Ingber
Norbert Weiner
Gianfilippo Cuneo
member until 30/04/'05
Ernst-Oliver Schulte
member until 28/02/'06

Management board

Chief Executive Officer
Nicos Sophocleous

Stefan von Klebelsberg
member since 14/11/'05
Martin Rüter
member since 21/04/'06
Massimo Ambanelli
Jaap Schalken
Stefan Blaschak
member until 26/10/'05
Vittorio Ogliengo
member until 11/11/'05
Karl-Heinz Dullinger
member until 31/03/'06
Gerd Meyer
member until 31/03/'06

Harry's SCA

Supervisory board

Chairman
Guido Maria Barilla

Paolo Barilla
Enrico Fagioli Marzocchi
Nicolaus Issenmann
Laurent Dolfi
Vittorio Ogliengo
member until 12/11/'05
Francesco Gianni
member until 09/02/'06

Management board

Alain Strasser
Richard Handscombe

Barilla G. e R. Fratelli Società per Azioni

The Barilla brand originated from a small pasta and bread shop in Parma in 1877 and has become the favourite pasta of Italy and the rest of the world. Thanks to top-quality durum wheat and state-of-the-art production technology, Barilla offers delicious pasta and sauces to millions of people throughout the world.

Pavesi was founded in 1937 by Mario Pavesi, a genial baker and entrepreneur. It offers a number of unique bakery products, each one with a distinctive personality and production technology. Pavesi joined Barilla in 1992.

Established in 1977, Filiz is one of the most important pasta producers in Turkey. Turkey has one of the highest pasta consumption rates in Europe. Filiz joined Barilla in 1994.

Academia Barilla is an international project born in 2002, devoted to preserving, developing and promoting the regional Italian gastronomic culture as a unique world heritage.

Created in 1975, Mulino Bianco has become part of Italy's food culture, providing authentic and healthy bakery products for family meals and snacks.

Voiello was founded in 1879 as a small pasta factory in Torre Annunziata, near Naples – home to the Italian pasta industry since the sixteenth century. Voiello offers traditional Neapolitan pasta cuts and employs time-honoured bronze kneading techniques. Voiello joined Barilla in 1973.

Yemina, founded in 1952, and Vesta, founded in 1996, are leading brands in Mexico. They became part of Barilla in 2002 following the agreement with Grupo Herdez.

Wasa, founded in Sweden in 1919, is the world's largest producer of crispbread, with distribution and sales of a wide range of wheat- and rye-based products in 40 countries. Wasa joined Barilla in 1999.

A leader in the Greek pasta market since 1927, Misko represents the local pasta tradition and is symbolised by Akakio, a monk who rides to the village market on his donkey to buy pasta. Misko joined Barilla in 1991.

Founded in 1997, an avant-garde organization created in order to compete effectively in the area of logistics.

GranMilano SpA

Symbol of the Milanese baking tradition, Tre Marie represents the very best of Italian patisserie and offers panettone and other traditional Italian celebration foods, such as pandoro. Tre Marie joined Barilla in 1987.

Founded in Verona in 1955, Sanson is a primary player in the Italian ice cream market, with strong penetration in the northern part of the country. Sanson joined Barilla in 2001.

Kamps AG

The first Kamps bakery shop opened in Düsseldorf in 1982. Today Kamps has become the market leader of German bakery chains offering a wide range of products.

Since its establishment in 1963, Golden Toast has been a key player in the toast bread market. It is now expanding into pre-baked rolls and bread. Golden Toast has been part of the Kamps Group since 2000.

Fritz Lieken was the first to offer packaged long-shelf-life bread in Germany in 1925. Today the Lieken Urkorn name is synonymous with bread in Germany. Lieken Urkorn joined the Kamps Group in 2000.

Harry's SCA

Launched in 1970 on the baked goods market in France, the Harry's brand today is leader in the soft bread market and an important player in the morning goods market. Quality and innovation are two of the most important key success factors.

Born in 1968 and part of the Harry's Group since 1990, La Bella Easo today is the leading brand in Spain for the croissant and brioches markets, thanks to its strong position in the breakfast segment.

Brands, products and markets

Barilla's operations are primarily focused on two business areas: Italian Pasta dishes and Bakery Products. The Group also operates in the ice cream business.

The past year resulted in the consolidation of Barilla's image of guarantor of Italian culinary tradition which was also contributed to by a number of initiatives by the Academia Barilla della Gastronomia Italiana di Parma (Barilla Academy of Italian Gastronomy in Parma), which endeavours to combine the classic love of pasta with an interest in all things that represent the "genuine" Italian food culture.

The strength of the Group, both in the increasingly global pasta market and the bakery products market, which is more segmented geographically, allows it to maintain important market shares within all of the areas in which the Group operates.

The owned brands, on the pasta side Barilla and Voiello in Italy, Misko in Greece, Filiz in Turkey, Yemina and Vesta in Mexico, and on the bakery products side Mulino Bianco, Pavesi, Le Tre Marie, Wasa and Morato in Italy, Wasa in Northern Europe, Kamps, Golden Toast and Lieken Urkorn in Germany, Harry's in France, Belgium, Russia and Turkey and La Bella Easo in Spain, are part of the daily lives of millions of people, accompanying them during different times of the day and in numerous occasions throughout their lives.

Economic situation and the food industry

In 2005, from a general point of view, two factors affected the worldwide economy: on one hand the further increase in oil prices and on the other the continued growth of Asian countries within the worldwide markets.

As always, the different local economies were affected by different forces as a result of the varied surrounding circumstances.

The euro area showed some signs of weakness during the year.

In Germany the uncertain political situation did not favour adoption of decisive economic measures. Large companies were forced to set up restructuring plans. The country itself had to redefine its position within the rapidly changing worldwide economy. These measures could only result in a sluggish internal demand although there were some signs of recovery towards the end of the year.

Contrarily in France, and also in Spain, internal consumption showed signs of recovery, in the first case this was also supported by government measures to increase employment. Furthermore, in both situations consumer price watching continued to result in a shift towards private brands and Hard Discount stores, increasing their position and market share.

This has also taken place in Italy, due to some uncertainty regarding the employment market and also a political situation that anticipated beyond expectations the beginning of the electoral campaign for the 2006 political elections.

In the United States the effects of the strengthened dollar were noted through increased consumption, but it was on the Asian continent that the greatest signs of economic recovery were noted contributing to growth in excess of 4% in the worldwide economy.

China, which recorded growth of almost 10% that is expected to be repeated in 2006, occupied a solid 5th place after the United Kingdom and ahead of France among the worldwide economic superpowers.

Russia, rich with energy resources, did not lose its position in the middle-eastern area. A new generation of businessman is bringing life back to both the main cities and also medium sized towns and the suburbs which have also benefited from political stability.

Through a process of deregulation of the economy, Japan is also making its presence felt. The reforms are making consumers more confident resulting in a 2.6% growth in the economy in 2005 and forecasted growth in excess of 2% in 2006.

In the future, resources will play a significant role in determining the development of the economy.

Review of business in 2005

In 2005 the market positions acquired in the past were maintained while working on consolidation of the current Group structure.

In the course of the financial year, Barilla G. e R. Fratelli proceeded with the restructuring plan in relation to the pasta production activities. The plan foresaw closure of the mill in Termoli (CB), increased capacity in the plants in Foggia and Caserta and the Research and Development (R&D) centre in Parma, with the subsequent relocation of the basic R&D activities of the Centro di Ricerche Agroalimentari Co.Ri.Al. in Foggia (agricultural and food research centre) and closure of the Matera plant with relocation of its operations to Foggia and Caserta.
In May 2005, Barilla G. e R. Fratelli also sold its investment in the associated company Sinfo Pragma S.p.A.

With regard to the Kamps Group, construction of the new production facilities in Lüdersdorf continued. The site is already operational with four production lines and the bond of euro 240 million was repaid in September 2005 on maturity.

Within the Harry's Group, reconstruction of the Russian plant in Solnechnogorsk, which was destroyed by fire at the end of 2004, was almost entirely completed.

Review of operating activities

Barilla G. e R. Fratelli S.p.A.

In 2005 Barilla G. e R. Fratelli recorded growth of 3%, both in terms of sales volumes and revenue, the latter being contributed to by 0.5% as a result of exchange rates.

With regard to the Pasta segment, Group revenue amounted to euro 600 million in Italy, which is in line with the previous year.
The company recorded an improvement in its market share across the majority of the sub-categories in this segment, despite a downturn of approximately 1% in this sector.
In particular, the market share in value terms of the semolina pasta segment strengthened in 2005 by 1.5 percentage points to a total 40.6%, against a 2% fall in the market. The dried egg pasta consolidated its position with a market share in value terms of 47.1%.
The ready made sauces segment decreased slightly, maintaining a market share in value terms of 31.0% (- 0.4% compared to 2004).

Revenue from the bakery products segment totalled euro 1,036 million in 2005, representing an increase of 1% on the previous year and increased sales volumes of 3.8%.
The market share in value terms of Barilla Bakery demonstrate that the company has retained its competitive position although each sector has performed differently.
The Out of Meal sector performed well (24.0%, a 0.5% increase on 2004) with the soft snacks (recording a result of 29.8%, an increase of 2.4% on 2004) played a key role. The launch of cereal snacks also produced positive results.
Moderate growth in the Breakfast sector (30.8%, an increase of 0.2% on last year), was principally due to both morning goods (23.4%, a 1.4% increase on the prior year) and biscuits (40.6%, + 0.3% on 2004) performing well.
Rusks were largely in line with the previous year's results with a market share in value terms of 50.4%.
The bread sector suffered a slight downturn (35.6%, a decrease of 1.5% compared to the previous year), which was essentially due to a decrease in dry breads (31.6%, a fall of 3.7 percentage points on the previous year) and soft breads (39.2%, a decrease of 1.6 percentage points compared to 2004).

Growth in revenue resulting from the launch of new products during the year amounted to approximately 3%.

Total revenue recorded in European countries (excluding Italy) was euro 494 million, representing 2.7% growth compared to the previous year.
The Group market share increased uniformly both across country and product line.

In France, total revenue amounted to euro 131 million, which is substantially in line with 2004. Pasta products again increased the market share in value terms which now amounts to 19.4% (+ 0.8% compared to 2004), while for sauces the share totals 6.0% (+ 1.1 percentage points on 2004).

With regard to Germany, total revenue amounted to euro 94 million, an increase of 3.3% compared to the previous year, to which all product categories contributed. Pasta products reached a market share in value terms of 10.3% (+ 0.4 percentage points compared to 2004); sauces achieved further growth with a record result of 20.5% (+ 2.5 percentage points on 2004); WASA brand products also increased their share to 64.1% (+ 1.5% compared to 2004).

The results in Switzerland remained stable with total revenue of approximately euro 35 million. The country consolidated its position in terms of market share with pasta products recording 19.2% (+ 0.1% compared to 2004) and sauces achieving 29.0% (+ 2.5 percentage points compared to the previous year).

In Greece, the two brands of pasta, Barilla and Misko, performed well with an increase in revenue of more than 2% on the prior year to reach euro 51 million. The market share in value terms in respect of pasta reached record levels of 47.2%, increasing 1.8% on 2004, despite a continued fall in consumption.

Positive results were recorded in Northern Europe in relation to both pasta and sauces, which compensated the fall in WASA brand products.
Total revenue, amounting to euro 104 million, was in line with the previous year.

In Sweden pasta products recorded a market share in value terms of 29.5%, a slight decrease on 2004, the share in Finland remained constant at 6.6% and improvements in Norway resulted in a share of 11.5% (+ 2.7 percentage points on 2004).
The WASA brand confirmed its overall position as leader in the crispbread market with a market share in value terms of 65.1% in Sweden (- 0.9% compared to 2004), 88% in Denmark (+ 3% compared to 2004) and 78% in Norway, the same share as last year.

In North America the Group improved on the positive results achieved in 2004, which recorded 7% growth, with an increase of 14% and revenue of euro 239 million.

In the US, the Barilla brand further strengthened its leadership position in the market for pasta, earning 2.4 percentage points of market share in value terms compared to 2004 to reach a share of 21.4%, and increasing 2.5 points in terms of volume bringing the share to 19%.
Revenue amounted to euro 213 million, against euro 188 million in 2004.
Mexico recorded a market share in value terms of 26.7%, resulting from the three brands present in this market (+1% on 2004), and total revenue for these brands of euro 21.6 million (+20% compared to the previous year).

In the other international markets, Turkey performed well almost entirely as a result of the exchange rate between the new Turkish lira and the euro. Brazil also produced positive results with a growth in revenue of 19% compared to 2004.
Japan on the other hand did not perform as well due to difficulties experienced with a local distributor.

Kamps AG
2005 was another difficult year for Kamps, in which management's efforts to create a single, solid Group from the conglomerate of entities that resulted from numerous past acquisitions, encountered a series of unforeseen problems together with a slump in the German company, although today this currently shows some signs of recovery.

One series of problems related to the commercial operations: severed relations with two important customers, although justified by a requirement to defend profitability, resulted in a significant decrease in sales, (equal to 8 percentage points compared to last year) without a corresponding reduction in costs. The Dutch Retail division also suffered due to the difficult market situation and as a result of strong price competition undertaken by a number of large chains.

In addition, 2005 was affected by increased labour and energy costs which exceeded all reasonable expectations. These factors had a significant negative impact on the performance of a business model such as that of Kamps, in which these costs weigh heavily.

In light of the above-mentioned circumstances and taking into consideration the loss in 2005 of euro 92 million, management presented a three year business plan, approved by the Supervisory Board, which foresees a fall in sales volumes, strong pressure on both prices and margins and increases in production costs. This plan is without doubt more conservative than the previous plan.
As a result of the accounting principles applied by the company, an impairment loss of euro 639 million was recognised on goodwill following performance of an impairment test. For the purposes of this test, the value of the Kamps Group at 31 December 2005 was determined as the sum of the values of the individual "Business Units" and each unit was valued using the discounted cash flow method. This method discounts future cash flows and takes into consideration the residual value (or "Terminal Value") of each unit to be valued, which is estimated by extrapolating the normalised cash flow into the future.

It should be emphasised that Kamps is still by far the largest bread manufacturer in Germany (the only company operating on a national level) with brands such as "Lieken Urkorn" and "Golden Toast" which represent important market shares with excellent future potential.

From an internal point of view only, numerous actions were carried out during the year, continuing the work already started in 2004, with the purpose of creating more efficient organisation and production structures. In order to achieve this, the Group commenced closure of seven production plants while three further closures are planned to take place in 2006 and 2007.

The Bakeries division continued its plan to optimise its store network and at the year end it had 930 stores. The plan to close 150 stores between 2004 and 2006 was finalised during the year. Moreover, 23 new stores were opened in high potential locations.

Research and Development activities aimed at the constant improvement in Group products in the medium term continued.

The Barilla Group has provided significant financial support to Kamps AG in order to meet cash requirements resulting from the downturn in business and the heavy investment in production technology; extensive intra-Group production synergies have been put into place, including centralised purchasing, supply chain, quality assurance, sub-supplies, distribution and administrative services in the areas of mergers and acquisitions, treasury and insurance, preparation of consolidated financial statements and legal assistance.
The objective for the near future is to stabilise volumes in order to aim for organic growth at a later date.

GranMilano S.p.A
2005 saw a rationalisation of the Group production plants through relocation of the production capacity of the previous site of Debora in Truccazzano to the Milan factory and automation of the production processes both in the Pomezia and Milan factories.
Group revenue increased by more than 2% compared to the previous year.
In the recurring products sector, revenue remained in line with 2004, while the frozen foods sector (croissants, ice cream, frozen bread, ready meals, desserts and savoury products) enjoyed growth of 2.9% compared to 2004.

Harry's SCA
No growth was recorded in the French market during the year as traditional products continue to encounter strong competition from Hard Discount chains and private brands and new products are not yet able to compensate this deficit in full.
The Harry's Group recorded a 2% fall in revenue in 2005 which is principally due to the fire at the end of 2004 that completely destroyed the Solnechnogorsk factory in the outskirts of Moscow.
Other factors responsible for the business trend this year include an increased unitary contribution resulting from an improved product mix, lower advertising and promotional costs, general cost reduction plans together with a reduction in volumes and a higher incidence of trade costs.
In Spain, through the subsidiary La Bella Easo, reduced competition with the main competitor of the company's principal product category, resulted in stable profitability levels despite a reduction in volumes.
The company commenced distribution of Barilla products (pasta and sauces) in the Spanish market.
In Italy, the company Morato enjoyed continued growth albeit at a lower rate than previous years.
The Turkish market experienced another positive year in which volumes increased by more than 15%, both for internal reasons and as a result of a reduction in competition by the principal competitor.
As already mentioned, in Russia operations were affected by the fire which took place in November 2004. The continuity measures adopted, including relocation of the production facilities to the second factory together with increased commercial efforts, ensured market presence and laid the foundations that will allow recovery of market position in 2006. In addition, the insurance policies ensured adequate coverage of both direct damages to assets (Property Damage – "PD") and loss of earnings resulting from the stoppage period (Business Interruption – "BI").
During the year a total of euro 12 million was received (euro 7 million in respect of PD and euro 5 million in relation to BI).

Financial position

The Barilla Group proceeded with its objective of extending the average residual debt period, which commenced with the issue of long-term bonds in 2002 and 2003 and continued in 2004 with the syndication of a committed credit facility for euro 250 million that matures in August 2009.

The principal financing transactions entered into in 2005 were as follows:
• Barilla Holding: underwrote financing contracts totalling euro 290 million with a number of banks, with terms and conditions similar to the euro 250 million credit facility;
• Harry's Group: underwrote a pooled bank loan of euro 300 million that matures in March 2008;
• Kamps Group: defined a programme for the sale of trade receivables with a 364 days renewable period for amounts up to euro 100 million; underwrote a bank loan for approximately euro 70 million that matures in August 2008, on behalf of the Dutch subsidiary.

Cash flows from operating activities allowed a significant reduction in gross indebtedness, which fell to euro 1,871 million from euro 2,059 million at the end of 2004. Long-term bonds represent 49.3 % of this balance at the year end.
The net financial position at the end of 2005 amounted to euro 1,745 million, against euro 1,858 at 31 December 2004.

On 26 September 2005, Kamps AG repaid euro 239.8 million in relation to a matured bond.

Barilla Holding and its subsidiaries have the following bonds outstanding:

ISSUER	TYPE	Listed/ Not Listed	COUPON	Coupon payments	ISSUE AMOUNT (thousands)	MATURITY	SWAP (thousands)
Barilla Finance	Guaranteed Note	L	4.625%	annual	€ 300,000([a])	3 Dec 2007	NO
	US Private Placement	NL([b])	4.83%	six-monthly	$ 78,000	9 Dec 2010	€ 66,724 rate 3.45% sem. fixed
			5.55%	six-monthly	$ 180,000	9 Dec 2013	€ 153,978 rate 4.15% sem. fixed
			5.69%	six-monthly	$ 92,000	9 Dec 2015	€ 78,700 rate 4.10% sem. fixed
Kamps([c])	Senior Note	L	8.50%	six-monthly	€ 323,025([d])	15 Feb 2009([e])	NO
	Convertibile (Lyon)	L	0.00%	zero coupon	€ 222	15 Mar 2015	NO
				TOTAL	€ 922,649		
	Owned by the Group				€ (38,000)		
				TOTAL	€ 884,649		

NOTES:
([a]) Euro 10 million nominal amount held by Group companies;
([b]) Security placed with US institutional investors (insurance companies, pension funds, etc.);
([c]) Bonds issued by Kamps prior to acquisition by Barilla;
([d]) Euro 28 million nominal amount held by Group companies;
([e]) Securities are repayable in advance, even partially, at the issuer's option at the prices below:
• 104.25% of nominal value commencing 15 February 2006;
• 102.125% of nominal value commencing 15 February 2007;
• 100% of nominal value commencing 15 February 2008.

In 2005 the free cash flow, the available cash flows net of changes in working capital and the medium/long-term operating element, as well as cash used in investing activities, increased compared to the previous year as detailed below:

(euro millions)

	2005	2004
Loss for the year	(608)	(45)
Depreciation/amortisation	326	332
Goodwill impairment	639	-
Change in working capital and medium/long-term element	12	87
Purchase of property, plant and equipment, intangible and financial assets	(299)	(300)
Dividends paid	(28)	(15)
Net change from other investing activities	71	41
Free cash flow	**113**	**100**
Net financial position at 1 January	**(1,858)**	**(1,958)**
Net financial position at 31 December	**(1,745)**	**(1,858)**

The Barilla Group has a limited exposure to exchange rate risk as its commercial and industrial activities are concentrated principally in the euro area. Foreign exchange risk is also mitigated as a result of careful management of the total exposure and the US dollar risk is neutralised through local manufacturing of products sold in the US.

Financial risk management

The Barilla Group is exposed to a variety of financial risks that include the effects of changes in interest rates, foreign currency exchange rates and liquidity risk (in relation to cash flows generated outside the euro area).
The Group uses derivatives to hedge the above risks as part of its risk management programme, while no financial instruments are utilised or held for speculative purposes.
The Group also utilises other types of financial instruments in addition to derivatives, including bank loans, finance leases, demand deposits, receivables and payables arising from normal trading activities.
The Group manages hedging transactions centrally. Guidelines have been issued that discipline risk management and procedures have been implemented in order to control all transactions involving the use of financial instruments.

Interest rate risk

Exposure to market risk arising from changes in interest rates is largely linked to medium/long-term financing operations.
The Barilla Group has entered into interest rate swaps in order to reduce interest rate risk and to optimise net finance costs.

Foreign exchange risk

As the Group has international operations it is exposed to the risk that changes in foreign currency exchange rates will have an adverse effect on the carrying value of assets and liabilities.
In general the Group is exposed to a limited extent to foreign exchange risk and this principally relates to the conversion of the financial statements of the overseas subsidiaries.
The Group adopts a strategy aimed at reducing the exposure to foreign exchange risks on operating activities through a policy of compensating assets and liabilities and entering into derivative contracts (mainly in the form of forward currency contracts).

Price risk
The Group is partially exposed to price risk in relation to the purchase price of a number of raw materials. Barilla pursues the reduction of risk relating to the trend in market prices of raw materials used in the production process mainly through the use of medium-term contracts with suppliers and using to a limited extent derivative contracts (futures) in relation to wheat and other raw materials.

Credit risk
This represents the risk that one of the parties to a contract of a financial nature will not fulfill the related obligations. This risk may derive from purely commercial transactions or from financial operations (the counterparties in financial operations).
In order to reduce credit risk, procedures have been implemented and actions taken in order to limit the effect of customer insolvency.
With regard to the credit risk on investment financing activities (other than equity investments), the Group only enters into transactions with highly rated counterparties and in particular current financial assets are invested in securities issued by international institutions with the highest ratings.

Liquidity risk
The Group has always followed set polices regarding its financial structure and adopts a prudent approach. The solid net asset structure allows the Group to obtain credit facilities as and when required.
At 31 December 2005, the Group has committed facilities totalling euro 547.5 million the maturity dates of which are detailed in the table below:

Financial counterparty	**2007**	**2008**	**2009**	**2010**
Syndicated loan (various)			250.0	
Rabobank		5.0		
Banking pool		1.5		
Deutsche Bank	30.0			
BNP Paribas			80.0	
Royal Bank of Scotland				75.0
Bank of America			56.0	
Citibank		50.0		
Total	**30.0**	**56.5**	**386.0**	**75.0**

The Group also maintains revocable facilities amounting to euro 396 million.

Capital expenditure

In 2005, investment in new technology to increase the production capacity of the Italian and overseas plants, continued.
Total capital expenditure of the Barilla Holding Group in 2005 amounted to euro 273.4 million.
The principal investments made during the year essentially related to the rationalisation of the manufacturing structure of Barilla G. e R. Fratelli, in particular in the pasta sector the factories in Caserta and Foggia, while in the bakery sector a new production line for rusks was established in Rubbiano (Parma) and a new palletisation plant was constructed in Novara.
GranMilano carried out investments aimed at the automation of the plants in Pomezia and Milan.
With regard to Harry's, the new factory in Solnechnogorsk in the outskirts of Moscow was completed and new production lines were set-up such as the American Sandwich line.
Kamps invested euro 99 million, mainly on the development of a new production site in Lüdersdorf which will be completed in 2006.

Barilla Holding did not carry out any significant investments in property, plant and equipment during the year.

Research and development

The Barilla Group continued its Research and Development activities that include the study of new technology, new product development and the constant improvement in quality of existing products in order to obtain increased customer satisfaction and to protect their rights in respect of food safety.
Under Barilla G. e R. Fratelli, research in the nutritional field was intensified with the creation of a Nutrition Advisory Board, consisting of experts in the area of food science.
Research activities also continued in the agronomic and milling sectors in order to improve the quality of raw materials, their aptitude for use in the production process and their nutritional values.
The Research and Development department of Kamps, which was set up in 2004 and is divided into Product Development and Research and Quality Assurance which serve both the Retail and Shops business units, pursued its activities.

Group expenditure in the areas of processes and product Research and Development amounted to euro 33 million which was in line with 2004.

Barilla Holding Società per Azioni did not directly carry out Research and Development activities.

Human resources and organisation structure

At 31 December 2005 the Group employed 20,414 people: 6,033 in Italy and 14,381 in other countries. Employee numbers have fallen by 2,278 compared to the total of 22,692 in 2004.

Barilla Holding Società per Azioni employed 35 people at 31 December 2005.

In 2005 the Group continued implementation of the extensive training programme aimed at strengthening and developing technical and managerial skills and know-how.

Risk management

Risk management culture is now widespread and shared within the Group and is considered an essential tool in providing assurance in the areas of market presence, product quality, the integrity and value of the company’s assets and safeguarding employees.
Investment in the management of safety systems, training staff and installing automatic extinguishing systems continued in 2005 across all Group companies and further investment is planned for 2006. In particular, with regard to the construction of the factory in Lüdersdorf in Germany (Kamps) and Solnechnogorsk in Russia (Harry’s), more advanced international safety standards were adopted. Moreover, risk management guidelines have been issued (Barilla Fire Safety Manual) confirming the Barilla Holding Group’s dedication to this matter. A feasibility study was performed in relation to the development in 2006 of a Business Continuity Management plan which will be issued to all Group companies in order to guarantee business continuity in the event of disasters taking place.

Raw materials and suppliers

Barilla has consolidated its position as one of the major buyers of wheat in the world, in respect of both durum wheat used in the production of semolina pasta and common wheat used in the preparation of bakery products.
The Group constantly carries out research in the milling area, through programmes of natural seed selection in order to create special types of durum wheat.
Purchasing activities in relation to strategic materials categories are centralised at worldwide level.

The longstanding relations with the principal suppliers continue to be of fundamental importance and also involve the creation of joint research projects.
The supplier selection and management policy is founded on extremely tight controls, through application of strict formal selection procedures and constant evaluation of quality, service levels and costs. The Barilla Holding Group also regularly updates the supplier selection guidelines in order to guarantee balanced procurement sources.

Production and factories

At the end of 2005 the Barilla Group owned 80 production sites across 12 countries.

At 31 December 2005, Barilla G. e R. Fratelli managed 28 owned production facilities: 8 dedicated to the production of pasta, 10 to bakery products, 9 mills and one factory for the production of pasta based frozen products. Both the production facilities and the related production processes have been designed and are managed to meet safety requirements and ensure that products satisfy customer tastes and demands. This is performed within a framework of efficiency optimisation and maintenance of the highest levels of quality control.

The pasta production factory in Pedrignano (Parma) and the bakery products factory in Castiglione delle Stiviere near Mantova, represent respectively the largest production facilities in the world and in Europe. The pasta production factory in Ames in the United States continues to support the expansion of the Group in the US market and in the first months of 2006 authorisation was obtained for the construction of a new plant in the north-east.

Kamps currently produces bread and bakery products in 35 factories throughout Germany and the Netherlands. Products are delivered daily both to the owned stores and to the large-scale retail outlets. Kamps directly owns the majority of its production centres. During the year work continued on the construction of the factory in Lüdersdorf, approximately 80 kilometres from Hamburg.

GranMilano owns 5 factories in Italy, one dedicated to frozen bread, one to manufacturing ice cream and three to bakery products.

Harry's owns 12 production facilities: five in France, one in Spain, two in Italy, one in Turkey, one in the Czech Republic and two in Russia.

Risk factors

Again this year the main risk factors were those relating to all operating activities and essentially derive from market conditions that remain unfavourable, although there are some signs of recovery, and are characterised by future uncertainty and modest consumer spending, with attention paid to prices and private brands being favoured.
This situation applies to all of the geographical and production segments of Barilla.
Risks of a more specific nature continue to exist this year in relation to the Kamps Group, linked to the uncertainties and difficulties that have arisen in terms of sales and relations with a number of large customers.
The Group continues the process of re-launching the Golden Toast and Lieken Urkorn brands, the only brands in Germany that are distributed on a national level.

Corporate governance

Barilla conducts its activities in such a way as to provide assurance to the shareholders regarding the high standards of the company. This is achieved by continually strengthening and refining governance tools.

The Board of directors is the body vested with the widest powers and is responsible for the strategic management of the company and evaluating the adequacy of the current organisation, administration and accounting structures and monitoring overall operating performance.

The Board of directors set up a Remuneration committee comprising 5 directors, two of which are independent. In 2005 the committee met a number of times, in order to define the top management remuneration policy and incentives schemes.

Moreover Barilla has adopted an Organisation, Management and Control Model ("the Model"), in compliance with Legislative Decree 231/2001 and subsequent amendments, which comprises the Code of Ethics.
Legislative Decree 231/2001 regulates the administrative responsibility of legal entities in relation to offences committed in the interest or to the advantage of the entity, by individuals occupying top managerial roles and the subordinates managed or supervised by them.
The Model adopted constitutes a series of measures and control systems aimed at preventing risk situations within Barilla, thus relieving the company from the related liability.
The above legislation has been interpreted and used by the company as an opportunity to formalise the Code of Ethics which represents a set of principles and values that are the result of a strong, identifiable corporate culture which Barilla identifies with and aspires to.
Barilla is promoting adoption of the Code of Ethics by all Group companies.

In order to control the effectiveness and correct application of the Model, the Board of directors set up a Supervisory Board, comprising the head of Group Legal and Corporate Affairs, the head of Group Internal Audit and Marco Ziliotti, a university professor, which will remain in office until 4 March 2008.
In 2005 the Supervisory Board met a number of times to examine the work performed regarding implementation of the Model in accordance with Legislative Decree 231/2001 and subsequent amendments.

The accounting controls required by law are performed by PricewaterhouseCoopers S.p.A.

The consolidated financial statements and the financial statements of the principal Group companies are audited.
The independent auditors are PricewaterhouseCoopers S.p.A.

During the year the company finalised updating the procedures prescribed by Legislative Decree 196/2003, the Consolidated Text on Data Protection.

Future developments

The results in the first part of 2006 are in line with the forecast and are, in general, an improvement on the corresponding period in 2005.

The budget objective is challenging and strongly depends on the development in the cost of production resources.

Related party transactions

The parent company entered into transactions with subsidiaries, associated companies and other Group companies in relation to rentals and the acquisition and performance of services. These transactions took place on an arm's length basis.
Moreover, financial operations were carried out in respect of interest bearing loans. Interest rates are essentially in line with market rates.

A list of Group companies is provided as an appendix to the notes to the financial statements of Barilla Holding Società per Azioni.

Holding of own shares or parent company shares

In 2005 Barilla Holding Società per Azioni did not hold, purchase or sell its own shares or shares of the parent company either directly, or through intermediaries or through a third party.

Significant post balance sheet events

The following significant events took place following the year end:

• A contract was signed in relation to the sale of Morato, the Italian branch of Harry's Group, to the Morato family;
• Production commenced in the Kamps factory in Lüdersdorf;
• Agreement was made with the trade unions relating to the restructuring of the pasta production centre in southern Italy;
• Barilla Holding Group decided to adopt the International Accounting Principles, IAS/IFRS, commencing with the financial statements for the year ending 31 December 2006 with 2005 being considered the date of transition.


ACADEMIA
BARILLA

Consolidated Financial Statements

FINANCIAL YEAR ENDING 31 DECEMBER 2005

Balance Sheet
(in thousands of euro)

	2005	2004
ASSETS		
A) Subscribed capital unpaid	-	-
B) Fixed assets:		
I) Intangible assets		
1) organizational costs	558	826
3) patents and industrial rights	1,079	1,161
4) trademarks and similar rights	251,496	270,028
5) goodwill	2,358	2,913
5 bis) difference on consolidation - goodwill	860,567	1,612,348
6) intangible assets in progress and payments on account	14,255	2,181
7) others	14,811	12,981
Total intangible assets	**1,145,124**	**1,902,438**
II) Tangible assets:		
1) land and buildings	603,992	587,457
2) plant and machinery	762,933	753,159
3) industrial and commercial equipment	77,540	87,475
4) other assets	64,682	63,580
5) assets under construction and payments on account	110,596	84,933
Total tangible assets	**1,619,743**	**1,576,604**
III) Financial fixed assets:		
1) investments:		
a) subsidiaries	-	5,876
b) associated companies	6,932	2,170
d) other companies	34,553	51,526
2) receivables:		
b) associated companies	3,450	-
d) other	9,215	9,386
3) other securities	1,499	6,002
Total financial fixed assets	**55,649**	**74,960**
Total fixed assets	**2,820,516**	**3,554,002**
C) Working capital - assets:		
I) Inventories:		
1) raw materials and supplies	148,750	147,984
2) work in progress and semifinished products	9,144	14,984
4) finished goods	102,287	102,842
5) payments on account	221	1,418
Total inventories	**260,402**	**267,228**
II) Receivables:		
1.1) trade receivables due within one year	637,994	622,843
1.2) trade receivables due after one year	5	467
2) receivables from subsidiaries	-	1,283
4 bis) Tax receivable	110,690	162,195
4 ter) Deferred tax assets	52,834	43,966
5.b.1) other receivables due within one year	70,106	62,523
5.b.2) other receivables due after one year	3,161	1,927
Total receivables	**874,790**	**895,204**
III) Current financial assets:		
4) other investments in equity securities	444	5
6) other securities	61,413	100,772
Total current financial assets	**61,857**	**100,777**
IV) Cash and cash equivalents:		
1) cash at bank and post office	61,860	90,531

	2005	2004
2) cheques	431	1,024
3) cash on hand	535	1,269
Total cash and cash equivalents	**62,826**	**92,824**
Total working capital - assets	**1,259,875**	**1,356,033**
D) Accrued income and prepaid expenses	**28,934**	**34,763**
Total assets	**4,109,325**	**4,944,798**

LIABILITIES AND SHAREHOLDERS' EQUITY		
A) Shareholders' equity:		
I) Share capital	110,900	110,900
IV) Legal reserve	22,180	6,653
VII) Other reserves:		
- Translation reserve	(8,284)	(23,584)
- Revaluation reserve IAS 29	16,881	16,071
- Other reserves	101,473	109,473
VIII) Retained earnings	543,465	550,941
IX) Net profit / (loss)	(267,691)	8,051
Group Shareholders' equity	**518,924**	**778,505**
- Minority interests	669,199	739,240
- Minority interests' net profit/(loss)	(340,728)	(53,054)
Total Shareholders' Equity	**847,395**	**1,464,691**
B) Provisions for contingencies and other charges:		
1) Provisions for retirement benefits and similar obligation	70,954	66,898
2) Provision for deferred tax and tax contingencies	98,231	110,939
3) Other provisions	88,471	105,376
Total Provisions for contingencies and other charges	**257,656**	**283,213**
C) Provisions for employees' leaving indemnity	**111,044**	**106,945**
D) Payables:		
1.1) Bonds due within one year	-	227,838
1.2) Bonds due after one year	884,649	884,649
4.1) Banks borrowings due within one year	326,399	702,034
4.2) Banks borrowings due after one year	401,270	102,270
5.1) Payables to other financial institutions due within one year	80,236	23,779
5.2) Payables to other financial institutions due after one year	178,778	118,278
7) Trade payables	745,732	761,307
8.1) Notes payables to other financial institutions due within one year	115	121
8.2) Notes payables to other financial institutions due after one year	-	114
10) Payables to associated companies	2,046	272
12.1) Tax payables due within one year	52,904	45,584
12.2) Tax payables due after one year	-	20
13.1) Payables due to social security institutes due within one year	31,865	30,108
13.2) Payables due to social security institutes due after one year	5,105	5,275
14.a 1) Other payables due to other Group companies due whitin one year	-	444
14.b 1) Other payables due whitin one year	138,919	131,583
14.b 2) Other payables due after one year	927	1,310
Total payables	**2,848,945**	**3,034,986**
E) Accrued liabilities and deferred income	**44,285**	**54,963**
Total liabilities and Shareholders' equity	**4,109,325**	**4,944,798**

Memorandum and contingency accounts:		
Financial instruments	209,394	367,933
Commitments and guarantees	395,338	461,117
Put option to Minority shareholders	162,000	-
Total memorandum and contingency accounts	**766,732**	**829,050**

Profit and Loss Account

	2005	2004
A) Production value:		
1) revenues from sales of products and services	4,609,523	4,675,316
2) change in inventories of work in progress,		
semifinished and finished products	(9,226)	14,136
4) increase in tangible assets for internal work	5,924	6,857
5) other revenues	158,679	145,558
5.1) income grants	1,412	2,598
Total production value	**4,766,312**	**4,844,465**
B) Production costs:		
6) purchase of raw materials	(1,476,474)	(1,572,292)
7) service costs	(1,727,800)	(1,696,884)
8) lease and rent expenses	(98,615)	(100,755)
9) payroll costs:		
a) wages and salaries	(647,042)	(661,509)
b) social security contributions	(171,619)	(177,777)
c) employees leaving indemnity	(17,877)	(17,488)
d) provision for retirement indemnity and similar obligations	(4,598)	(2,166)
e) other payroll expenses	(16,057)	(16,547)
10) amortisation, depreciation and write-downs:		
a) amortisation of intangibles assets	(128,340)	(133,207)
b) depreciation of tangible assets	(197,914)	(198,468)
c) impairment of intangible assets	(639,000)	-
d) bad debt expense	(6,495)	(3,483)
11) change in inventories of raw materials, consumables and supplies	(141)	1,838
12) provisions for contingencies	(4,457)	(6,882)
14) other operating costs	(92,433)	(91,756)
Total production costs	**(5,228,862)**	**(4,677,376)**
Difference between production revenues and costs	**(462,550)**	**167,089**
C) Financial income (expenses):		
15) income from equity investments	2,275	1,253
16) other financial income:		
a) from fixed financial receivables	91	106
c) from other securities	6,770	18,047
d) from others	6,932	15,291
17) interests and other financial expenses:		
a) to others	(114,338)	(117,900)
17-bis) exchange gains and losses:		
- exchange gains	27,888	33,217
- exchange losses	(26,822)	(36,949)
Total financial income (expenses)	**(97,204)**	**(86,935)**

D) Value adjustments to financial assets:	2005	2004
18) revaluations:		
a) investments	-	1,675
c) of current securities other than investments	-	158
19) write downs:		
a) equity investments	(9,715)	(5,611)
c) other securities other than equity investments	(2,765)	(3,828)
Total value adjustments-net	**(12,480)**	**(7,606)**

E) Extraordinary income (expenses):		
20) income	21,756	14,302
21) expenses	(20,579)	(58,075)
Total extraordinary income (expenses)	**1,177**	**(43,773)**
Profit / (loss) before taxes	**(571,057)**	**28,775**
22.1) current income taxes for the period	(53,703)	(50,283)
22.2) deferred income taxes	16,485	(23,495)
23) Net profit / (loss) including minority interests	**(608,275)**	**(45,003)**
- Net profit / (loss) attributable to minority interests	**(340,584)**	**(53,054)**
- Net profit / (loss)	**(267,691)**	**8,051**


Iss gratis!
Kamps
2.55
2.55
1.99
1.99
1.80
1.80


amps
4.25
2.55
2.30
2.55
»Sportlerbrot«
2.55
Mehrkorn-Baguette
0.99
Weizenbaguette
1.25

Notes to the consolidated financial statements

Content and form

Dear Shareholders,

The consolidated financial statements, which consist of the balance sheet, the profit and loss account and the notes to the financial statements, have been prepared in accordance with the Italian Civil Code. The consolidated financial statements have been supplemented with the consolidated cash flow statement. Key information on Group activities, significant events during the year, subsequent events and the business outlook are discussed in the Directors' Report.
All amounts are expressed in thousands of euro, except for per-share amounts.
The consolidated financial statements have been audited by PricewaterhouseCoopers S.p.A.

Scope of consolidation

The consolidated financial statements include the accounts of Barilla Holding Società per Azioni, the parent company, and all its subsidiaries which are listed in Appendix 1.
Zao Kondi, a production company located in Russia which was acquired in 2004, has been included in the scope of consolidation starting from 1 January 2005. During the year the investment increased from 93.7% to 94.8%.
No changes in the Group ownership interest in the consolidated subsidiaries took place in 2005 with the exception of:
- Bart’s Retail, which was partially sold during the year, decreasing from 100% to 20%. The remaining 20% has been accounted by using the equity method;
- Zimmermann GmbH which increased from 95% to 100%.

Finba Food International BV was established during 2005.
The companies Dan Cake Holding Ltd, Dan Cake Investments Ltd, Falu Spisbrodsfabrik Ab and Finba UK Ltd were liquidated during the year.
The closing date of the consolidated financial statements corresponds to the closing date of the separate financial statements of the parent company and of the consolidated subsidiaries.

Principles of consolidation

The financial statements used in the consolidation process are those at 31 December 2005 approved by the shareholders of the individual companies, or the draft financial statements prepared by the respective Boards of directors. These financial statements have been adjusted to comply with Group accounting principles if necessary.
All of the companies included in the scope of consolidation, with the exception of Barilla Mexico S.A. de C.V., its subsidiary Serpasta S.A. de C.V., Fresh Cake A/S and Harry’s Delta SRO, which are proportionally consolidated, have been consolidated on a line-by-line basis. In particular:
- the assets, liabilities, revenues and costs are fully consolidated and the share of net equity and net profit or loss attributable to minority interests are shown separately;
- the book value of investments in consolidated companies has been eliminated against the related underlying net equity from the acquisition or formation date; any positive difference has been recorded as an asset in the "Difference on consolidation";
- receivables, payables, revenues and costs resulting from transactions between consolidated companies have been eliminated;
- unrealised gains and losses arising from intra-Group transactions have been eliminated;
- all dividends, capital increases and write-downs of investments in consolidated companies have been eliminated;
- tax driven accruals and value adjustments recorded in the financial statements of individual companies have been eliminated, taking into account the related deferred tax effects.

According to the proportionate consolidation method, the share of assets, liabilities, income and expenses, adjusted where necessary, are consolidated into the Group financial statements. The proportionate consolidation method is applied to the companies under joint control.
The financial statements of the companies operating in high-inflation countries have been adjusted to take into account the change in the purchasing power of the local currency, in accordance with the principles for inflation accounting.
Financial statements expressed in foreign currency have been translated into euro using the year-end exchange rate for the balance sheet and the annual average exchange rate for the profit and loss account, except for companies operating in high-inflation countries where the profit and loss account was converted at the year-end exchange rate. The resulting translation difference is classified as a shareholders' equity reserve.

Generale note

We confirm that the accounting records of the parent company and of the subsidiaries fully reflect the transactions that occurred during the year.
Items with zero balances in both years presented have been eliminated from the financial statements.
In the notes, previous year amounts are indicated in brackets.

Barilla Holding has voluntarily decided to adopt the International Financial Reporting Standards (IFRS) for the year ending 31 December 2006 for the preparation of the consolidated financial statements.
The Appendix "IFRS First Time Adoption" presents the following information:
- accounting treatments elected among the accounting options provided by IFRS;
- reconciliation of consolidated net equity under previous accounting principles (Italian GAAP) and IFRS at 1 January 2005 (transition date) and at 31 December 2005;
- reconciliation of consolidated net result for the year ended 31 December 2005 under Italian GAAP and IFRS;
- comments on the main changes in the non GAAP measure net financial position following the introduction of IFRS.

Compensation paid to the directors and statutory auditors of the parent company for their duties in relation to the parent and other companies included in the scope of consolidation is as follows:

	2005	2004
Directors	4,214	4,297
Statutory auditors	440	473

Agreement with the minority shareholders of Kamps and Harry's
In connection with the acquisitions of the Kamps Group and Harry's Group, a series of agreements were signed between the Barilla Group and the minority shareholders aimed at governing the relationships between shareholders in relation to governance and reciprocal rights and obligations.

These agreements provide for a process designed to maximize the value of the investments made in the Kamps Group and Harry's Group through their sale or listing by 31 July 2010 (except for certain pre-emption rights held by the Barilla Group) and attribute to the minority shareholders significant rights of veto in relation to decisions relevant to the management of the Kamps Group and Harry's Group. According to these agreements, in the event of sale or listing not taking place by the stipulated date, the minority shareholders will have the right to sell their holding to Barilla Group at a price equal to the initial investment, increased by a premium representing the financial cost of the transaction. The company reserves its right to challenge the validity of this put option under the guidance of authoritative legal opinion.

The decision to proceed with the listing of the Kamps Group and Harry's Group pertains to:
i) the parties jointly in the period up to 31 December 2009 (each party must give its consent in the event that the listing price is equal to or greater than the original purchase price);
ii) Barilla Group, exclusively, which could decide to proceed with the listing at any price in the period from 1 January to 31 July 2010;

Based on the valuations performed by the directors, Barilla believes that it is improbable that the Company will be obliged to acquire the shares of Kamps and Harry's held by the minority shareholders. Consequently, in the consolidated financial statements of the Barilla Group, the results of the Kamps Group and Harry's Group attributable to minority shareholders have been allocated to the shareholders in proportion to their respective shares and are disclosed in the headings "Profit or loss attributable to minority interests" and "Minority interest in equity".

Accounting principles

The accounting principles used for the preparation of the consolidated financial statements are in compliance with the provisions of the Italian Civil Code, as interpreted and integrated by the accounting principles issued by the "Consiglio Nazionali dei Dottori Commercialisti e dei Ragionieri" and by the "Organismo Italiano di Contabilità". For accounting matters not covered and not in conflict with Italian regulation, reference is also made to International Financial Reporting Standards (IAS/IFRS).
The accounting principles used in 2005 are consistent with those used in the previous year.
The previous year figures, presented for comparative purposes, have been reclassified where necessary to ensure full comparability.

Intangible assets

Organisational costs are recorded at cost and amortised using the straight-line method.
The difference between the acquisition cost of the investments in subsidiaries and the underlying net shareholders' equity at the date of acquisition is reported in the consolidated balance sheet as a "Difference on consolidation" when this excess cannot be allocated to the assets acquired. The difference on consolidation and goodwill is amortised using the straight-line method over a period of time deemed to reflect the future economic benefits and, in any case, not exceeding 20 years.
Trademarks are recorded at cost and amortised on the basis of their useful life, estimated at 20 years.
Intangible assets, which at the date of the financial statements are permanently impaired, are written down accordingly. Impairment losses are reversed if the reasons for the previous write-down are no longer valid.
The reversal of impairment losses for the heading "Goodwill/Consolidation difference" is not allowed under IAS/IFRS, the accounting standards that the company will apply in the preparation of the consolidated financial statements as at 31 December 2006.

Amortisation periods, which are applied consistently with the previous year, are as follows:

	Years
Organisational costs	5
Patents and industrial rights	3
Goodwill / consolidation difference	5 – 20
Trademarks	20
Software	3 - 5
Other intangibles	3 - 5

Costs incurred in obtaining long-term loans are amortised over the residual life of the loans.

Tangible assets

Tangible assets are stated at purchase cost, revalued where permitted by specific law and reported net of accumulated depreciation. The cost does not include any interest expense. The cost of assets internally produced includes only direct construction costs.

Tangible assets that at the date of the financial statements are permanently impaired are written down accordingly. Impairment losses are reversed if the reasons for the previous write-down are no longer valid. Depreciation is calculated using the straight-line method on the basis of the estimated residual useful life.

The depreciation periods are as follows:

	Years
Buildings	33
Plant and machinery:	
- Generic	13
- Specific	10 – 20
- High electronic content	5 – 8
Industrial and commercial equipment:	
- Movable property	8
- Electronic machinery	3.5
Vehicles	5
Equipment	2.5

Assets acquired under finance lease arrangements are capitalised against the corresponding lease obligation. Assets acquired under finance lease are depreciated over their useful life.

Ordinary maintenance and repair costs are expensed as incurred. Improvement and expansion costs, where they represent an increase in the asset value or useful life, are capitalised as part of the related assets.

Financial fixed assets

• ***Investments***

Investments in unconsolidated subsidiaries are recorded at cost where it is impracticable to obtain the necessary information.

Investments in associated companies are recorded using the equity method or at cost if immaterial for the Group financial statement presentation.

Investments in other companies are recorded at cost.

Investments that at the date of the financial statements are permanently impaired are written down accordingly. Impairment losses are reversed up to the original amount in subsequent years, when the reasons for the original write-down no longer exist.

•***Financial receivables***

Financial receivables are recorded at the estimated realisable value.

• ***Other securities***

Other securities are recorded at amortised cost, reduced for any permanent impairment loss.

Inventories

Inventories are valued at the lower of purchase or production cost and their net realisable value. Cost is determined by the FIFO method on a monthly basis.

Receivables and payables

Receivables are recorded at their estimated realisable value.

Payables are recorded at the nominal value, representing the effective expected repayment.

Transactions denominated in foreign currency are recorded at the exchange rates prevailing at the date of the transactions. At the year-end, accounts receivable and payable denominated in foreign currency are adjusted using the year-end exchange rates.

Foreign exchange gains and losses are recorded in the profit and loss account as part of the financial income or expense.

Current financial assets

Current financial assets are recorded at the lower of cost or market value.

Cash and cash equivalents

Cash and cash equivalents are stated at nominal value.

Accrued income and prepaid expenses

Prepayments and accrued income are determined using the accruals basis of accounting.

Provisions for contingencies and other charges

Provisions for contingencies and other charges are recorded to cover losses or liabilities that are certain or likely to be incurred, where the amount or the settlement date is uncertain.

Employees' leaving indemnity and other similar obligations

These provisions refer to agents' leaving indemnity and employees' pensions benefits. The provision fully covers employees' retirement and pension obligations at the end of the year. The provision is recorded in accordance with specific laws, national labour contacts and local agreements in force. The pension fund provisions are calculated using actuarial methods.

Revenue recognition
Revenues are recognised using the accruals basis method applying a conservative approach. Revenues from product sales are recognised when the title is transferred to customers, normally upon delivery or shipment of the goods. Service revenues are recognised when the service is rendered.
Revenues from sales and services are shown net of returns, discounts and taxes levied on the sale of products or services.

Research, development and advertising costs
Research, development and advertising costs are expensed as incurred. Costs for developing new products and new production technologies are expensed as incurred based on considerations on their nature and the uncertainties relating to accurate quantification and future recovery.

Government grants
Government grants are recorded when there is reasonable expectation that the grant will be received, normally when the order to pay is issued by the granting entity.
Capital grants are deferred and released to income on the basis of the depreciation method of the corresponding asset.
Income grants for research and training programmes and other income grants are recorded as other revenues.

Income taxes
Current income taxes are recorded on the basis of the estimated taxable income of each consolidated company, according to a conservative interpretation of the tax laws, net of any tax advance payment.
Deferred income taxes, resulting from the temporary differences between the book and tax basis of assets and liabilities, are accounted for in accordance with principle No. 25 "Accounting for Income Taxes" issued by the "Consiglio Nazionali dei Dottori Commercialisti e dei Ragionieri". Deferred tax liabilities are classified in the "Provisions for contingencies and other charges". Deferred tax assets are recorded only when the recovery is reasonably certain.

Derivative financial instruments
Derivative financial instruments designated for hedge accounting are recorded consistently with the hedged items.

The derivatives that cannot be defined as hedging instrument are recorded at fair value with the fair value changes accounted for in the Profit and Loss accounts.
The nominal value of these derivatives is shown in the memorandum accounts.

Commitments and risks
Commitments and risks that are not reflected in the financial statements are recorded in the memorandum accounts at their contractual value.

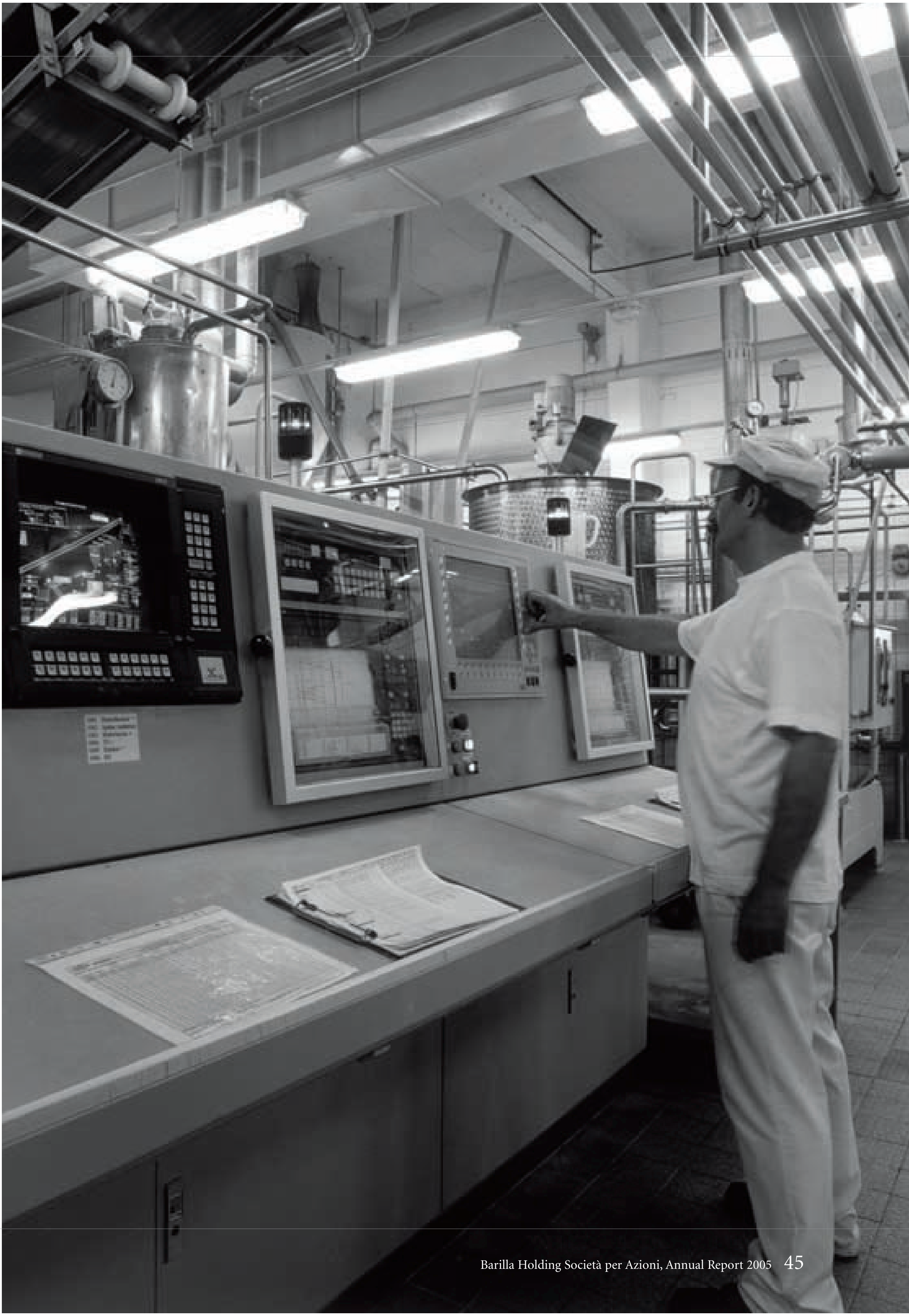
Related party transactions
Related party transactions, whether financial or commercial, are made at normal market conditions.

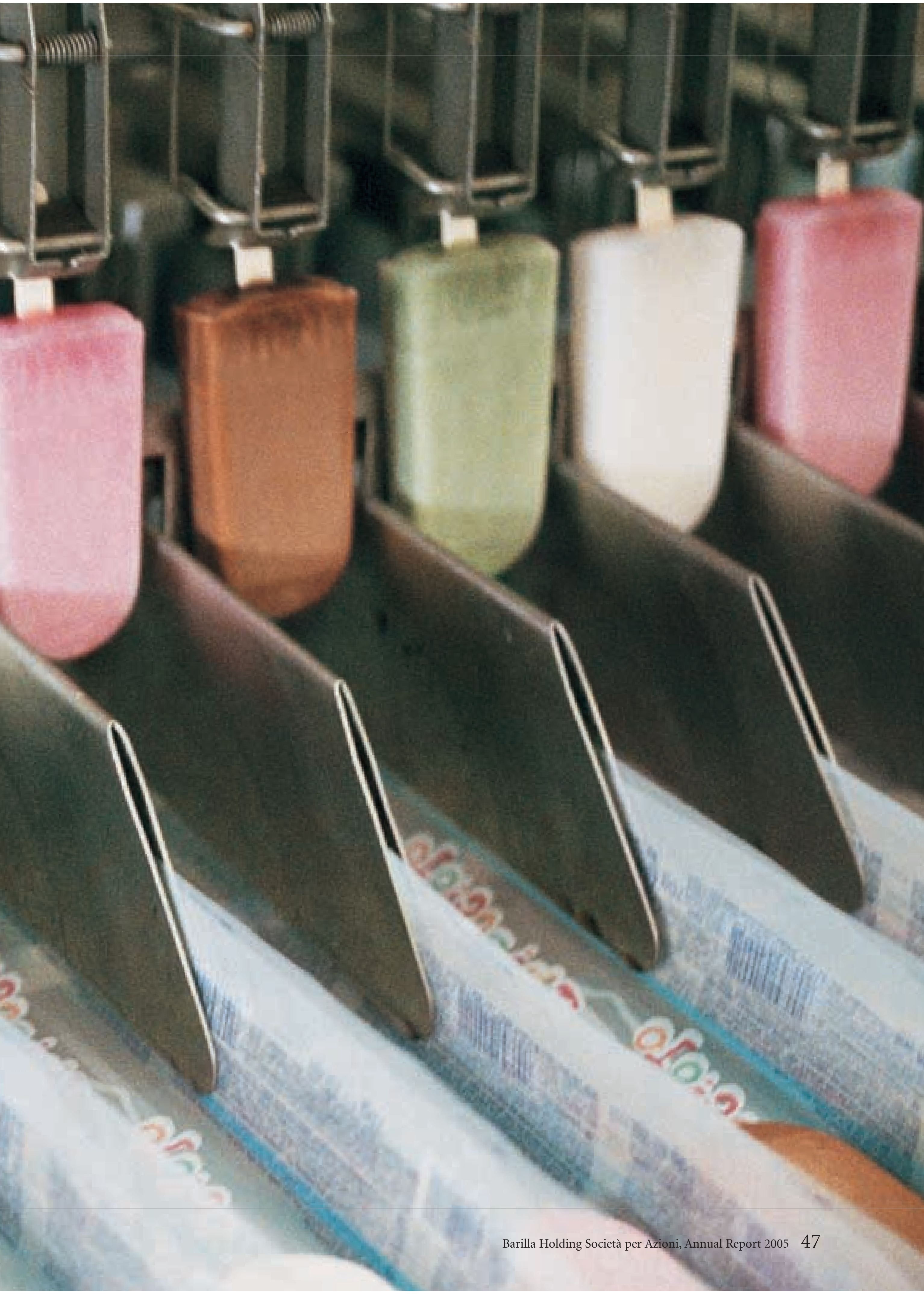
Employees

The average number of employees was 21,029 (23,072), divided as follows:

	2005	2004
Managers and white collar staff	9,013	9,616
Blue collar staff	12,016	13,456
Total	**21,029**	**23,072**

The total head count as of 31 December 2005 was 20,414 (22,692). The decrease is mainly due to the Kamps Group restructuring plan.





Balance sheet

Assets

B)Fixed assets
I) Intangible assets euro 1,145,124 - (1,902,438)
Details of intangible assets are as follows:

	Organisational costs	Patents and industrial rights	Trademarks	Goodwill/ consolidation difference	Others	Projects under development and advance payments	Total
Cost	24,091	6,782	420,677	2,070,395	35,863	2,181	2,559,989
Accumulated amortisation	(23,265)	(5,621)	(150,649)	(455,134)	(22,882)	-	(657,551)
31 December 2004	**826**	**1,161**	**270,028**	**1,615,261**	**12,981**	**2,181**	**1,902,438**
Increases	15	871	1,941	8,901	6,119	12,074	29,921
Decreases	(2)	-	(15)	(21,147)	(145)	-	(21,309)
Exchange rate differences	-	-	347	1,013	54	-	1,414
Impairment (Kamps Group)	-	-	-	(639,000)	-	-	(639,000)
Amortisation	(281)	(953)	(20,805)	(102,103)	(4,198)	-	(128,340)
31 December 2005	**558**	**1,079**	**251,496**	**862,925**	**14,811**	**14,255**	**1,145,124**

The consolidation difference mainly relates to the acquisitions of the Kamps Group, Harry's Group, Pavesi SpA and the Wasa Group carried out in previous years.
During the year the company has recorded an impairment loss on goodwill for an amount of euro 639,000 due to the lower value of the Kamps Group. The value of the Kamps Group as at 31 December 2005 has been determined by using the discounted cash flow method for each business unit. This method considers the discounted cash flows and the terminal value for each cash generating unit, which is calculated by projecting the normal operating cash flows into the future.
The method requires that the operating cash flows and the terminal value be discounted considering the weighted average cost of capital, which includes the business risk and the normal financial structure of companies operating in the food sector.
The valuation at 31 December 2005 determined a value for Kamps Group significantly lower than the value obtained at 31 December 2004.
While the business plan used for the 2004 evaluation considered stable market conditions, the new scenario considers sales reductions and significant pressure on prices and margins. Moreover an increase in labour costs and raw materials costs, due to the oil rise, has been considered.
Consequently the estimates for the 2005 evaluation have been revised.
The major impact on the evaluation is caused by the final years of the plan used for the terminal value calculation.
Compared to 2004, the major variations are mainly due to the Retail Germany business.
The original value of the consolidation difference for the Kamps Group amounted to euro 1,190,193, the accumulated amortisation amounted to euro 261,677 and the impairment cost to euro 639,000. The net value as at 31 December 2005 is euro 289,516.
For the Harry's Group the total consolidation difference, which includes the value allocated to the brand, is euro 618,084 with amortisation of euro 75,993. The net book value as at 31 December 2005 is euro 542,091, of which euro 175,833 related to the Harry's brand.

The annual increase relates to the first consolidation of Zao Kondi, a production company located in Russia acquired during 2004 by the Harry's Group, for euro 6,607 and to the acquisition of the remaining 5% of Zimmermann GmbH, a German company owned by Kamps Group, for euro 1,774.
The total decrease is due to an amount of euro 18,726 relating to the sale of 80% of Bart's Retail BV and to the remaining euro 2,421 for a reclassification to the investment line.
The investment in Bart's has been accounted for using the equity method.
The differences are amortised over a period of 20 years, determined considering the strategic value of the investment and the expected profitability of the products sold under those brands, with the exception of consolidation differences of Sinpa Saronno S.p.A. and Debora Surgelati S.r.l., which are amortised over 10 years.

Organisational costs primarily include urbanisation charges relating to production sites and costs for increases in shareholders' equity.
Trademarks mainly comprise the Pavesi, Harry's and several Kamps trademarks.
The heading "Projects under development and advance payments" refers to the expenditure in the new ERP, "Enterprise Resources Planning", software.

II) Tangible assets euro 1,619,743 - (1,576,604)
Details of tangible assets are as follows:

	Land and buildings	**Plant and machinery**	**Industrial and commercial equipment**	**Other tangible assets**	**Assets under construction**	**Total**
Costs and other additional expenses	902,906	2,239,605	413,931	218,659	84,933	3,860,034
Accumulated depreciation	(315,449)	(1,486,446)	(326,456)	(155,079)	-	(2,283,430)
31 December 2004	**587,457**	**753,159**	**87,475**	**63,580**	**84,933**	**1,576,604**
Capital expenditure	-	-	-	-	257,826	257,826
Capitalisation	41,398	141,972	18,875	30,096	(232,341)	-
IAS 29 adjustment	515	538	-	377	-	1,430
Change in scope of consolidation	(20)	(7,290)	15	(931)	(480)	(8,706)
Disposals	(4,117)	(7,435)	(499)	(3,952)	(3)	(15,916)
Exchange rates differences	8,265	7,490	45	331	661	16,792
Depreciation	(29,506)	(125,591)	(28,371)	(24,819)	-	(208,287)
31 December 2005	**603,992**	**762,933**	**77,540**	**64,682**	**110,596**	**1,619,743**
of which revaluation, net of depreciation	63,751	29,722	-	43	-	93,516

The adjustment to conform to IAS 29 principle relates to companies operating in hyperinflationary countries.
Changes in the scope of consolidation include Bart's for euro 9,459, net of the increase due to Zao Kondi consolidation for euro 753.
Tangible assets balances include monetary revaluations in accordance with local laws.
Depreciation of tangible assets is shown in the financial statements net of the annual release of government grants for euro 4,639 (5,988). In addition, depreciation in the financial statements does not include the asset write-down for the restructuring programme amounting to euro 5,734.

Some buildings and plants are encumbered by mortgages and liens in favour of third-party lenders as described in the note relating to bank borrowings.
Accumulated depreciation includes an accumulated impairment loss of euro 51,921. The movement for the year was as follows:

	2004	Increase	Decrease	2005
Accumulated impairment losses	55,360	1,744	(5,183)	51,921

The decrease in the accumulated impairment losses is mainly due to the reversal of provisions made in the previous years.
Capital expenditure amounted to euro 258 million in 2005 and euro 221 million in 2004, while capital expenditure approved by the Group for the 2006 financial year is euro 202 million.

III) Financial fixed assets euro 55,649 - (74,960)
1) Investments euro 41,485 - (59,572)
The details are as follows:

	2004	Purchases from third parties/ reclassification	Decreases	Write-downs	2005
Zao Kondi	5,876	-	(5,876)	-	-
Total subsidiary companies	**5,876**	**-**	**(5,876)**	**-**	**-**
Sinfo Pragma SpA *	341	-	(341)	-	-
BRW Italia SpA *	1,829	-	-	-	1,829
Bart's Retail BV	-	5,197	-	(94)	5,103
Total associated companies	**2,170**	**5,197**	**(341)**	**(94)**	**6,932**
Buongiorno Vitaminic S.p.A.	2,445	18	-	-	2,463
Banca Popolare Italiana S.c.a.r.l.	48,338	20,906	(28,287)	(9,481)	31,476
Parma Airport	221	-	-	(140)	81
Dahloff Verwaltungs GmbH	25	-	-	-	25
DEG Eishockey Gmbh	333	-	-	-	333
Duet Bak – Klaar BV	-	18	-	-	18
Other minor companies	164	28	(35)	-	157
Total other companies	**51,526**	**20,970**	**(28,322)**	**(9,621)**	**34,553**
TOTAL INVESTMENTS	**59,572**	**26,167**	**(34,539)**	**(9,715)**	**41,485**

** Investments valued at cost as immaterial*

Subsidiary companies
The company Zao Kondi has been consolidated starting from 1 January 2005.

Associated companies
During the year 80% of the company Bart's Retail BV was sold. The remaining 20% has been classified in the heading "Investments in associated companies" and accounted for using the equity method. At the end of the year the write-down amounts to euro 94.

Other companies

During the year Banca Popolare di Lodi S.c.a.r.l., which during the year changed its name to Banca Popolare Italiana S.c.a.r.l., declared a capital increase through the issue of shares as an option to the existing shareholders and bondholders at the rate of 6 newly-issued shares for every 10 bonds or shares held. Barilla Holding subscribed as shareholders to 2,800,500 shares with a face value of 8 units of euro.
The costs include warrants in the ratio of 1 warrant for every 2 shares subscribed.
The warrants have been recorded in the heading "Other securities". The value amounting to euro 1,499 has been estimated based on the market value of Banca Popolare Italiana S.c.a r.l.
In September and October Barilla Holding sold 2,900,500 shares of Banca Popolare Italiana S.c.a.r.l. with a loss of euro 4,599.
An impairment loss has been recognised on the investment for euro 9,481, to align the cost and market value. The write-down of Banca Popolare Italiana is considered a permanent impairment loss.
The write-down of Banca Popolare Italiana has been recorded in the heading "Write downs of investments".
During the year 70,785 shares of Buongiorno Vitaminic S.p.A. were acquired. The comparison between the valuation at cost and the market value as of 31 December 2005 shows an unrealised capital gain of approximately euro 4,097.
The investment in Parma Airport has been written-down for euro 140.

2) Receivables euro 12,665 - (9,386)
b) receivables due to associated companies euro 3,450 - (0)
The item refers to a long-term receivable with Bart's Retail BV.

d) receivables due to others euro 9,215 - (9,386)
The breakdown is as follows:

	2005	2004
Advance tax payments on employees' leaving indemnity as per law 140/97	2,953	4,045
Guarantee deposits	2,648	1,437
Other	3,614	3,904
Total	**9,215**	**9,386**

The increase in the item "Guarantee deposits" is due to the deposits paid for the construction of the automated warehouse in Foggia (Italy).
The Other receivables include collateral deposits for pension obligations for euro 2,997 (2,896).

3) Other securities euro 1,499 - (6,002)
The amount relates to the warrants of Banca Popolare Italiana S.c.a.r.l.
In the previous year the amount mainly represented convertible bonds issued by Banca Popolare Lodi S.c.a.r.l., which were sold during the year with a gain of euro 344.

C) Working capital - assets euro 1,259,875 - (1,356,033)
I) Inventories euro 260,402 - (267,228)

	2005	2004
Raw materials and supplies	163,413	160,689
Obsolescence provision	(14,663)	(12,705)
Net inventories	**148,750**	**147,984**
Work in progress and semi-finished goods	9,945	16,238
Obsolescence provision	(801)	(1,254)
Net inventories	**9,144**	**14,984**
Finished goods and goods for resale	105,262	105,382
Obsolescence provision	(2,975)	(2,540)
Net inventories	**102,287**	**102,842**
Payments on account	221	1,418
Total	**260,402**	**267,228**

The net book value of inventories is in line with the replacement costs.
The movement in the obsolescence provision was as follows:

	2004	Increase	Decrease	2005
Obsolescence provision	16,499	3,885	(1,945)	18,439

The decrease is mainly due to the provision used for discrepancies.

1) Trade receivables euro 637,999 - (623,310)
This item consists of:

	2005	2004
Trade receivables	661,524	653,245
Bad debts provision	(23,525)	(29,935)
Total	**637,999**	**623,310**

The movement in the bad debt provision was as follows:

	2004	Increase	Decrease	2005
Bad debts provision	29,935	4,493	(10,903)	23,525

The decrease is mainly due to the provision used during the year.

2) Receivables from subsidiary companies euro 0 - (1,283)
In the previous year the balance referred to receivables from Zao Kondi not included in the scope of consolidation.

4 bis) Tax receivables euro 110,690 - (162,195)
The detail is as follows:

	2005	2004
VAT	68,162	100,273
Withholding tax on interest and dividends	22	1,905
Other tax receivables	42,506	60,017
Total	**110,690**	**162,195**

During the year, the Group sold VAT receivables amounting to euro 29,000, partially cashed by the factoring company for euro 4,808.
The Other tax receivables mainly include tax advanced payments for euro 30,808 (39,868).

4.ter) Deferred tax assets euro 52,834 - (43,966)
The deferred tax assets are due to temporary differences and tax losses carried-forward.

5.b.1) Other receivables euro 73,267 - (64,450), of which euro 3,161 (1,927) are due after one year.
The detail is as follows:

	2005	2004
Receivables from factoring companies	6,623	6,660
Receivables for government grants	1,771	1,254
Advances to suppliers	15,203	18,193
Receivable from employees	2,370	2,242
Receivable from suppliers for trading activities	2,036	2,217
Receivables from social security institutions	4,011	2,194
Receivable for insurance refund	23,047	14,123
Unrealised gain on forward foreign exchange contracts	1,560	3,300
Others	16,646	14,267
Total	**73,267**	**64,450**

Receivables from factoring companies refer to the transfers of receivables without recourse.
At the year-end, the amount of trade receivables transferred to factoring is equal to euro 25,300 (29,800).
The receivable for insurance reimbursement mainly includes the refund for the property damage and the business interruption related to the plant in Russia which was destroyed last year. During the year euro 12,000 was received.

The other receivables are shown net of the bad debt provision.

The movement in the bad debt provision for other receivables was as follows:

	2004	Increase	Use/Decrease	2005
Bad debts provision	1,193	2,002	(217)	2,978

III) Current financial assets euro 61,857 - (100,777)
These include triple A bonds issued by the World Bank and BEI, denominated in foreign currencies, for euro 61,406.
The decrease is due to the divestments of the investment fund (SICAV) for euro 23,704, of bonds for euro 17,698 and of shares for euro 1,224.

IV) Cash and cash equivalents euro 62,826 - (92,824)
The detail is as follows:

	2005	**2004**
Cash at bank	61,860	90,531
Cheques, cash and cash equivalents on hand	966	2,293
Total	**62,826**	**92,824**

The overall change in cash and cash equivalents is detailed in the cash flow statement.

D) Accrued income and prepaid expenses euro 28,934 - (34,763)
Detail is as follows:

	2005	**2004**
Accrued interest income	3,319	3,694
Prepaid lease expenses	6,041	7,239
Bond issue discounts	1,341	1,980
Bond issuance expenses	4,083	6,164
Other	14,150	15,686
Total	**28,934**	**34,763**

Prepaid lease expenses comprise euro 5,163 (4,834) which is expected to be released after five years.
“Bond issuance expenses” are mainly due to Kamps.
“Other” mainly comprises prepaid insurance expenses and costs sustained during the year in obtaining a credit line expiring in five years. The amounts are amortised over the residual life of the loans.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Shareolders’ equity and liabilities

A) Shareholders' equity euro 847,395 - (1,464,691)
The movement in shareholders’ equity was as follows:

	2004	Profit allocation	Currency translation	Net result for the year	Dividends paid	Other movements	2005
Share capital	110,900	-	-	-	-	-	110,900
Legal reserve	6,653	15,527	-	-	-	-	22,180
Detail of other reserves:							
Translation difference reserve	(23,584)	-	15,300	-	-	-	(8,284)
IAS 29 Revaluation reserve	16,071	-	810	-	-	-	16,881
Other reserves	109,473	-	-	-	(8,000)	-	101,473
Retained earnings and profit / (losses) carried forward	550,941	(7,476)	-	-	-	-	543,465
Net profit /(losses) for the year	8,051	(8,051)	-	(267,691)	-	-	(267,691)
Group shareholders’ equity	**778,505**	**-**	**16,110**	**(267,691)**	**(8,000)**	**-**	**518,924**
Minorities capital and reserves	739,240	(53,054)	3,524	-	(19,975)	(536)	669,199
Minorities net income / (losses)	(53,054)	53,054	-	(340,584)	-	(144)	(340,728)
Total equity	**1,464,691**	**-**	**19,634**	**(608,275)**	**(27,975)**	**(680)**	**847,395**

The share capital of the parent company is fully paid and consists of 11,090,000 ordinary shares.

The IAS 29 revaluation reserve relates to the companies operating in hyperinflationary countries.

The other movements include the decrease for the acquisition of the minorities of Zimmermann GmbH for euro 641 and 1.1% of Zao Kondi.

B) Provisions for contingencies and other charges euro 257,656 - (283,213)
Details and movements for the year were as follows:

	2004	Increase and provisions	Decrease and utilisation	2005
Provision for retirement benefits and similar obligations				
- Provision for sales agents' indemnity	4,403	710	(569)	4,544
- Provision for retirement benefits	62,495	4,598	(683)	66,410
Total provision for retirement benefits and similar obligations	66,898	5,308	(1,252)	70,954
Provision for deferred tax and tax contingencies	110,939	-	(12,708)	98,231
Other risks				
- Employee related risks	36,249	8,709	(25,800)	19,158
- Unrealised losses on interest rate derivatives	2,153	-	(1,945)	208
- Restructuring plan	23,506	14,202	(11,700)	26,008
- Claw – back recourse liability	6,450	800	-	7,250
- Contract termination risks	17,005	-	-	17,005
- Product returns	2,663	1,425	(1,723)	2,365
- Legal risks	2,655	403	(656)	2,402
- Commercial risks	14,695	2,316	(2,936)	14,075
Total other provisions	105,376	27,855	(44,760)	88,471
Total	**283,213**	**33,163**	**(58,720)**	**257,656**

The provision for retirement benefits and similar obligations includes an indemnity for sales agents calculated in conformity with laws and collective labour agreements. The amount fully covers the indemnity vested in favour of the agents.
The provision for taxes includes, in addition to the deferred tax liability, a conservative estimate for open tax litigation.
The provision for risks relating to employees has been recorded in connection with a restructuring programme and other employee incentive plans.
During the year the subsidiary Barilla G. e R. Fratelli chose to align the fixed assets fiscal value to the book value in accordance with Law 266/05, with a consequent payment of the substitute tax, starting from January 2008, in accordance with Italian Law 266/05, article 1, from sub-section 469 to 475. As a consequence the company has accrued taxes and released to the profit and loss account euro 23,955 for deferred tax liabilities accrued in previous years.
The provision for risks relating to employees has been recorded in connection with a restructuring programme.
The provision for unrealised losses on interest rate derivatives refers to financial instruments detailed in the memorandum accounts.

C) Provisions for employees' leaving indemnity euro 111,044 - (106,945)
The movement in the current year was as follows:

	2005	2004
Balance at 1 January	**106,945**	**103,028**
Increase	17,877	17,488
Change in scope of consolidation	-	162
Decrease	(13,778)	(13,733)
Balance at 31 December	**111,044**	**106,945**

The decrease reflects payments and advances made during the year.

D) Payables euro 2,848,945 - (3,034,986)
1) Bonds euro 884,649 - (1,112,487), of which euro 884,649 (884,649) due after one year.
These consist of bonds issued by:

ISSUER	TYPE	Listed/ Not Listed	COUPON	Coupon payments	ISSUE AMOUNT (thousands)	MATURITY	SWAP (thousands)
Barilla Finance	Guaranteed Note	L	4.625%	annual	€ 300,000([a])	3 Dec 2007	NO
	US Private Placement	NL([b])	4.83%	six-monthly	$ 78,000	9 Dec 2010	€ 66,724 rate 3.45% sem. fixed
			5.55%	six-monthly	$ 180,000	9 Dec 2013	€ 153,978 rate 4.15% sem. fixed
			5.69%	six-monthly	$ 92,000	9 Dec 2015	€ 78,700 rate 4.10% sem. fixed
Kamps([c])	Senior Note	L	8.50%	six-monthly	€ 323,025([d])	15 Feb 2009([e])	NO
	Convertibile (Lyon)	L	0.00%	zero coupon	€ 222	15 Mar 2015	NO
				TOTAL	€ 922,649		
	Owned by the Group				€ (38,000)		
				TOTAL	€ 884,649		

NOTE
([a]) Of which euro 10,000 nominal value held by Group companies;
([b]) Security placed with US institutional investors (insurance companies, pension funds, etc.);
([c]) Bonds issued by Kamps prior to acquisition by Barilla;
([d]) Of which euro 28,000 nominal value held by Group companies;
([e]) Securities are repayable in advance, even partially, at the issuer's option at the prices below:
• 104.25% of nominal value commencing 15 February 2006;
• 102.125% of nominal value commencing 15 February 2007;
• 100% of nominal value commencing 15 February 2008.

The Group owned a nominal euro 28,000 of bonds issued by Kamps AG and euro 10,000 of bonds issued by Barilla Finance, which have been eliminated in the consolidation process.
The decrease is due to the reimbursement of Kamps AG Bond, issued in September 2000, for euro 239,838, of which euro 12,000 own by the Group.

4) Bank borrowings euro 727,669 - (804,304), of which euro 401,270 (102,270) due after one year. Bank borrowings include euro 19,118 (21,020) relating to financial leasing of the Kamps Group. Short-term bank borrowings of euro 326,399 (702,034), of which euro 15,052 (15,095) is guaranteed by fixed assets, include the current portion of medium and long-term debt for euro 208,989 (617,427). At 31 December 2005, medium and long-term bank borrowings amount to euro 401,270 (102,270) net of the short-term portion.
The medium and long-term bank borrowings guaranteed by fixed assets of the Group amount to euro 59,867 (75,764).

The repayment schedule of medium and long-term bank borrowings is as follows:

2007	2008	2009	2010 and beyond	Total
18,739	354,746	8,306	19,479	401,270

The detail is as follows:

Borrower	Lender	Interest rate	Nominal value	Maturity date	Note
B. Holding	B. Popolare di Verona	Floating	135,000	2006	
Barilla G.R. Fratelli - Italian subsidiaries	Foreign banks	Floating	15,345	2006	
Barilla G.R. Fratelli - subsidiaries	Italian banks	Floating	65,652	2006	
GranMilano – Italian subsidiaries	Italian banks	Floating	32,784	2006	
Barilla G.R. Fratelli - Italian subsidiaries	Guaranteed by fixed assets	Fixed	45,232	2009	Amortised loan
Barilla G.R. Fratelli – Italian subsidiaries	Guaranteed by fixed assets	Floating	28,809	2006	
Kamps AG	San Paolo IMI	Floating	25,000	2006	
Finba Food Inter.	Rabobank	Floating	40,629	2008	
Kamps – subsidiaries	Various	Floating/fixed	19,118	>2010	
Finbakery Finance	Bank Pool	Floating	298,500	2008	
Harry' – subsidiaries	Italian and foreign banks	Floating	21,600	2006	
Total			**727,669**		

At 31 December 2005 the Group has committed lines for Euro 547,500 with the following expiry dates:

Lender	2007	2008	2009	2010
Syndicated loan (various)			250,000	
Rabobank		5,000		
Bank pool		1,500		
Deutsche Bank	30,000			
BNP Paribas			80,000	
Royal Bank of Scotland				75,000
Bank of America			56,000	
Citibank		50,000		
Total	**30,000**	**56,500**	**386,000**	**75,000**

The Group has uncommitted lines for euro 396,000.

5) Payables to other financial institutions euro 259,014 - (142,057), of which euro 178,778 (118,278) due after one year are detailed as follows:

	2005	2004
Lease obligation – current portion	20,381	18,461
Lease obligation – non-current portion	31,160	40,626
Debt for trade receivables selling operation – current portion	54,537	-
Guaranteed debts to other financial institutions – current portion	5,318	5,318
Debt to factoring companies – non-current portion	24,946	28,652
Unguaranteed debts to other financial institutions – non-current portion	122,672	49,000
Total	**259,014**	**142,057**

In 2006 the expiry date of the trade receivables selling operation performed by the Kamps Group was extended to 14 April 2007.
Un-guaranteed debts due to other financial institutions after one year refer to loans by the minority shareholders in Kamps Group and Harry's Group.
The debts are related to the Kamps Group for euro 31,556 and expire in 2008 and for euro 91,117 (49,000) relating to Harry's Group and expiring in 2010.

The repayment schedule of medium and long-term debt is as follows:

2007	2008	2009	2010 and beyond	Total
19,318	47,843	8,110	103,507	178,778

The net financial debt position of the Group at 31 December 2005, calculated by considering the financial debts and deposits, cash and cash equivalents, marketable and other securities and bonds net of the issue discount, is euro 1,745 million against euro 1,858 million in 2004.

10) Payables to associated companies euro 2,046 - (272)
Payables to associated companies refer exclusively to trade payables to BRW S.p.A.
In the previous year the amount related to Sinfo Pragma S.p.A.

12) Tax payables euro 52,904 - (45,604)
The analysis is as follows:

	2005	2004
Current tax payable	31,208	19,600
Withholding tax on employee compensation	16,168	16,515
VAT	1,016	1,853
Other taxes payable	4,512	7,636
Total	**52,904**	**45,604**

At 31 December 2005, certain Group companies have tax losses carried-forward totalling euro 1,239,488 (884,238).
The tax losses carried forward, on which deferred taxes have been calculated, amount to euro 93,467 (93,971). Any potential tax benefit deriving from the utilisation of the remaining losses will be recognised when realised.

13) Payables to social security institutions euro 36,970 - (35,383)
The payables to social security institutions include euro 5,105 (5,275) due after one year.

14b) Other payables euro 139,846 - (132,893)
These are detailed as follows:

	2005	2004
Payables to employees	81,567	75,228
Vacation accrual	34,213	34,338
Other payables	24,066	23,327
Total	**139,846**	**132,893**

Others payables mainly include payables due to customers.
Other payables include euro 927 (1,310) due after one year.

E) Accrued liabilities and deferred income euro 44,285 - (54,963)
The detail is as follows:

	2005	2004
Government capital grants	25,895	29,223
Accrued interest expense and bank commission	13,967	17,454
Other	4,423	8,286
Total	**44,285**	**54,963**

The portion of the government capital grants which is expected to be released in more than five years is euro 6,364 (8,395).

The accrued interest relates to the amounts matured at 31 December 2005.

Memorandum and contingency accounts

Information regarding the "Fair Value" of financial instruments
In compliance with art. 2427 bis of the Italian Civil Code, we highlight that the Group uses derivative instruments.
The other financial instruments entered into by the Group are as follows:
- trade receivables and payables;
- investments in other companies;
- long-term receivables;
- long-term debts.

As the Group operates in international markets, trade receivables and payables are modestly exposed to exchange rate risks. The Group has set policies for exchange rate risks, as detailed in the Directors' Report.
The Group has investments in unlisted companies for which the fair value cannot be reliably determined. These investments are accounted for at cost. The value of the investments valued at cost at 31 December 2005 amounted to euro 614.
The equity investment and the warrants in Banca Popolare Italiana S.c.a.r.l. are measured at fair value.
The investment in Buongiorno Vitaminic S.p.A. is measured at cost, which is lower than its market value.

Financial instruments designated as "hedging instruments"
These financial instruments hedge the exchange rate risks related to the Private Placement issued by Barilla Finance in December 2003, as described in the "Bonds" paragraph.

	Original amount (in USD)	Original interest coupon (in USD)	Amount 31 December 2005 (in euro)	Adjusted interest coupon (in euro) at 31 December 2005
	78,000,000	4.83%	66,724	3.45%
	180,000,000	5.55%	153,978	4.15%
	92,000,000	5.69%	78,700	4.10%
Total	**350,000,000**		**299,402**	

The fair value of the hedging contract at 31 December 2005 is euro -6,252.

Financial instruments euro 209,394 - (367,933)
All contracts are with primary banks or financial institutions. The amount reported in the memorandum accounts includes the notional amount of derivatives not designated for hedge accounting.

The contracts outstanding at 31 December 2005, entered into to manage foreign exchange risk, with maturities ranging from one to twelve months, are the following:

Foreign currency	Nominal value in foreign currency	Equivalent in euro	Unrealised gains (losses)
AUD	2,500,000	1,554	4
CAD	64,090,122	46,309	(487)
GBP	14,100,000	20,461	(92)
USD	60,361,330	51,317	187
SEK	72,921,363	7,711	58
PLN	5,000,000	1,301	6
Total euro		**128,653**	**(324)**

The unrealised gain or loss resulting from the market valuation is recorded within Other receivables and Other payables.

The transactions outstanding at 31 December 2005, which were entered into to manage the interest rate exposure, are as follows:

Description	Maturity	Notional amount	Unrealised gains (losses)
No. 2 interest rate swaps	from 2005 to 2014	17,710	(389)
No. 4 interest rate options	from 2005 to 2008	61,911	181
Total euro		**79,621**	**(208)**

The unrealised losses of euro 208 (2,153) are recorded within the provision for risks and charges. The contracts at 31 December 2005 for commodities are as follows:

Futures commodities (wheat)

Foreign currency	**Nominal value in foreign currency**	**Equivalent in euro**	**Unrealised gains (losses)**
USD	1.227.938	1.120	80
Total euro			**80**

The unrealised gain from the market valuation is recorded within other receivables.

Commitments and guarantees euro 395,338 - (461,117)
The detail is as follows:

1) guarantees euro 72,843 (115,300); the heading includes
• guarantees given to the Italian Tax Authorities against Group VAT reimbursements for euro 72,353 (110,760);
• other guarantees for factoring with recourse and other risks for euro 490 (4,540).
2) commitments euro 322,495 (345,817). The heading includes:
• wheat purchase commitments euro 58,427 (40,120);
• fixed assets purchase commitments euro 83,529 (54,559);
• operating lease obligation by Kamps Group for euro 180,539 (251,138).

Put Option with minority shareholders of Barilla G. e R. Fratelli euro 162,000 – (0)
The agreement with the minority shareholders of Barilla G. e R. Fratelli Società per Azioni includes a put option written in favour of the minority shareholders. This option can be exercised in the first three months of every year.
In case of exercise, the price is calculated based on a valuation formula.
Based on the valuations performed by management the exercise price is not significantly different from the book value of the Minority equity at the balance sheet date amounting to euro 162,000.

Profit and Loss account

A)Production value euro 4,766,312 - (4,844,465)

	2005	2004
Sales of finished products – Italy	1,820,054	1,804,047
Sales of finished products – other countries	2,631,409	2,719,516
Total finished products sales	**4,451,463**	**4,523,563**
Sales of by-products	19,418	26,309
Sales of packaging	4,902	6,627
Sales of miscellaneous materials	39,591	40,520
Revenue from product distribution and other services	94,149	78,297
Total revenues from sales and services	**4,609,523**	**4,675,316**
Changes in inventories	**(9,226)**	**14,136**
Internal costs capitalised on fixed assets	**5,924**	**6,857**
Other income:		
- Miscellaneous income	19,118	18,323
- Release of provisions	13,206	16,425
- Gains on disposal of fixed assets	4,144	6,798
- Insurance reimbursements	12,084	5,337
- Rental revenues	3,851	3,477
- Reimbursements of the excise duties	22,879	17,816
- Services	4,775	9,459
- Franchising services	52,329	44,181
- Other revenues	26,293	23,742
Total other revenues and income	**158,679**	**145,558**
Income grants for research	1,063	1,637
Other government contributions	349	961
Total government contributions	**1,412**	**2,598**
Total production value	**4,766,312**	**4,844,465**

Miscellaneous income mainly includes the effect of changes in estimates on individual accruals. Other revenues include primarily euro 8,697 (7,741) for freight planning services, euro 6,821 (6,249) for revenues deriving from fuel sale, indemnity for damages, shortages and penalties on logistic activities. Insurance reimbursements include euro 9,200 relating to the business interruption for the plant located in Solnechnorosk (Russia) destroyed in November 2004.

B) Production costs euro 5,228,862 - (4,677,376)
6) Purchase of raw material euro 1,476,474 - (1,572,292)

	2005	2004
Purchase of raw materials and packaging	1,190,729	1,241,321
Purchase of finished and semi-finished products	222,248	262,152
Purchase of consumables, maintenance and sundries	63,497	68,819
Total	**1,476,474**	**1,572,292**

7) Service costs euro 1,727,800 - (1,696,884)

	2005	2004
Promotional and advertising services	794,016	796,057
Transport and warehouse services	366,648	330,606
Maintenance	67,803	68,396
Moving services	37,566	32,061
Technical, legal, professional and other	36,464	47,742
Production services	80,800	66,679
Sales commissions	37,144	35,501
Provision for agents' leaving indemnity	710	748
Purchase of power sources	108,103	102,262
Travel and other expenses	25,752	27,123
Postage and telephone	10,130	11,413
Printing services for packaging	15,090	14,757
Insurance carriers	15,327	14,425
Market research	13,526	14,465
Temporary workers	47,414	60,093
Environmental services	25,724	26,578
Human resources training and education	4,255	3,752
Directors' fees	5,185	5,412
Statutory auditors' fees	899	1,147
Staff canteen	3,719	3,856
Green dot	14,910	19,389
Security services	3,700	3,872
Audit fees	2,172	2,356
Bank commissions	1,643	1,468
Factoring commissions	740	677
Other	8,360	6,049
Total	**1,727,800**	**1,696,884**

8) Lease and rent expenses euro 98,615 - (100,755)

	2005	2004
Real estate rentals	75,059	76,528
Vehicles and machine rentals	10,468	10,632
Office equipment rentals	8,946	9,676
Other minor	4,142	3,919
Total	**98,615**	**100,755**

Real estate rentals include euro 53,685 (57,189) incurred by the Kamps Group.

9e) Miscellaneous personnel expenses euro 16,057 - (16,547)
This item refers to professional association fees and grants to employees.

12) Provision for contingencies euro 4,457 - (6,882)

	2005	2004
Provision for employee related risks	883	771
Provision for miscellaneous risks	3,574	6,111
Total	**4,457**	**6,882**

14) Other operating costs euro 92,433 - (91,756)

	2005	2004
Donations	1,385	987
Losses on disposals of tangible assets	2,794	6,802
Entertainment expenses	1,673	1,772
Membership fees	2,050	2,033
Miscellaneous expenses	17,608	13,066
Indirect taxes	29,396	24,271
Real estate taxes	10,822	8,413
Promotional articles	12,674	13,541
Bad debt expense	1,616	5,529
Other	12,415	15,342
Total	**92,433**	**91,756**

Indirect taxes include excise duties for an amount of euro 22,879 (17,816) charged to customers.

C) Financial income (expenses) euro -97,204 - (-86,935)

	2005	2004
Income		
Dividends – investments in other companies	1,182	1,207
Gain on investments disposal	1,093	46
Interest income on employees' leaving indemnity advances	91	106
Income from other securities	6,770	18,047
Other income:		
Miscellaneous interests	1,306	2,692
Interests on bank and post office accounts	830	1,212
Other income on financial transactions	4,796	11,387
Total other income	6,932	15,291
Total financial income	**16,068**	**34,697**
Expenses		
Interests and other financial expenses:		
Interests due to banks or other financial institutions	(12,908)	(9,581)
Interests on loans	(17,894)	(19,713)
Provision for risks on financial transactions	-	(781)
Interest on bonds	(63,687)	(66,357)
Losses on financial transactions	(4,503)	(12,488)
Losses from investments sale	(4,599)	(4)
Interest on financial leasing	(5,847)	(4,036)
Interests on pension liabilities	(2,859)	(3,125)
Other expenses	(2,041)	(1,815)
Total expenses	**(114,338)**	**(117,900)**
Foreign exchange gains (trade)	6,363	5,107
Monetary inflation adjustment	1,484	684
Foreign exchange gains on financial operations	20,041	27,426
Total exchange gain	**27,888**	**33,217**
Foreign exchange losses (trade)	(1,638)	(4,825)
Foreign exchange losses on financial transactions	(25,184)	(32,124)
Total exchange gain	**(26,822)**	**(36,949)**
Total financial income and expenses	**(97,204)**	**(86,935)**

The dividends relate to Banca Popolare Italiana S.c.r.a.l. for euro 1,182 (860).
The item "Gain on investments disposal" includes the gain relating to Sinfa Pragma S.p.A. and Grune Punkt DSD. The other income on financial transactions includes the gain on options for euro 4,146 (10,818).
The losses on financial transactions include the losses on options for euro 3,553 (7,872). In the previous year the item included charges and losses relating to securities for euro 4,510.
The losses from investments sale refers to Banca Popolare Italiana S.c.r.a.l. In the previous year the amount related to the investment in Magic S.p.A.

D) Valuation adjustments to financial assets euro -12,480 - (-7,606)

	2005	2004
Revaluations	-	1,833
Total revaluations	**-**	**1,833**
Write-down of investments	(9.715)	(5,611)
Write-down of securities other than investments	(2,765)	(3,828)
Total write-down	**(12,480)**	**(9,439)**
Total	**(12,480)**	**(7,606)**

In 2004 the revaluation referred to Buongiorno Vitaminic.
The write-down of investments refers to Banca Popolare Italiana S.c.r.a.l. for euro 9,481 (5,611), to Parma Airport for euro 140 and to Bart's Retail for euro 94.
The write-down of securities relates to securities in foreign currencies held at 31 December 2005 for euro 2,765 (3,828).
The interest and other costs related to the net financial debt amounts to euro 95,624 (90,554).
The increase is mainly due to 2004 extraordinary financial gain no longer present in 2005.

E) Extraordinary income (expenses) euro 1,177 – (-43,773)

	2005	2004
Extraordinary income		
Insurance reimbursement - Russia	11,000	12,394
Extraordinary income	10,756	1,908
Total extraordinary income	**21,756**	**14,302**
Extraordinary expense		
Extraordinary losses on disposal	(6,030)	(2,106)
Restructuring costs	(13,142)	(36,858)
Tax amnesty	-	(1,732)
Others	(1,407)	(17,379)
Total extraordinary expense	**(20,579)**	**(58,075)**
Total	**1,177**	**(43,773)**

The insurance reimbursement includes the amount obtained for property damage for the plant located in Russia that was destroyed last year.
The extraordinary income mainly includes reversals of provisions.
The extraordinary losses on disposal relate to the sale of 80% of Bart's Retail BV. In the previous year the amount related to Carrs Foods.

The restructuring costs include personnel costs, fixed assets write-offs and other restructuring costs. In the previous year the amount mainly related to the fixed assets write-offs related to the fire in Russia for euro 11,643 and the losses for the disposal of Dan Cake for euro 2,542.

22) Taxes for the period euro 37,218 - (73,778)
The amount includes current income taxes for euro 53,703 (50,283) and deferred tax benefit for euro 16,485 (-23,495).
Without considering the impairment loss on Kamps, the decrease in the effective tax rate was mainly due to the release of certain tax liabilities following the realignment of the tax base of certain assets at a lower rate.

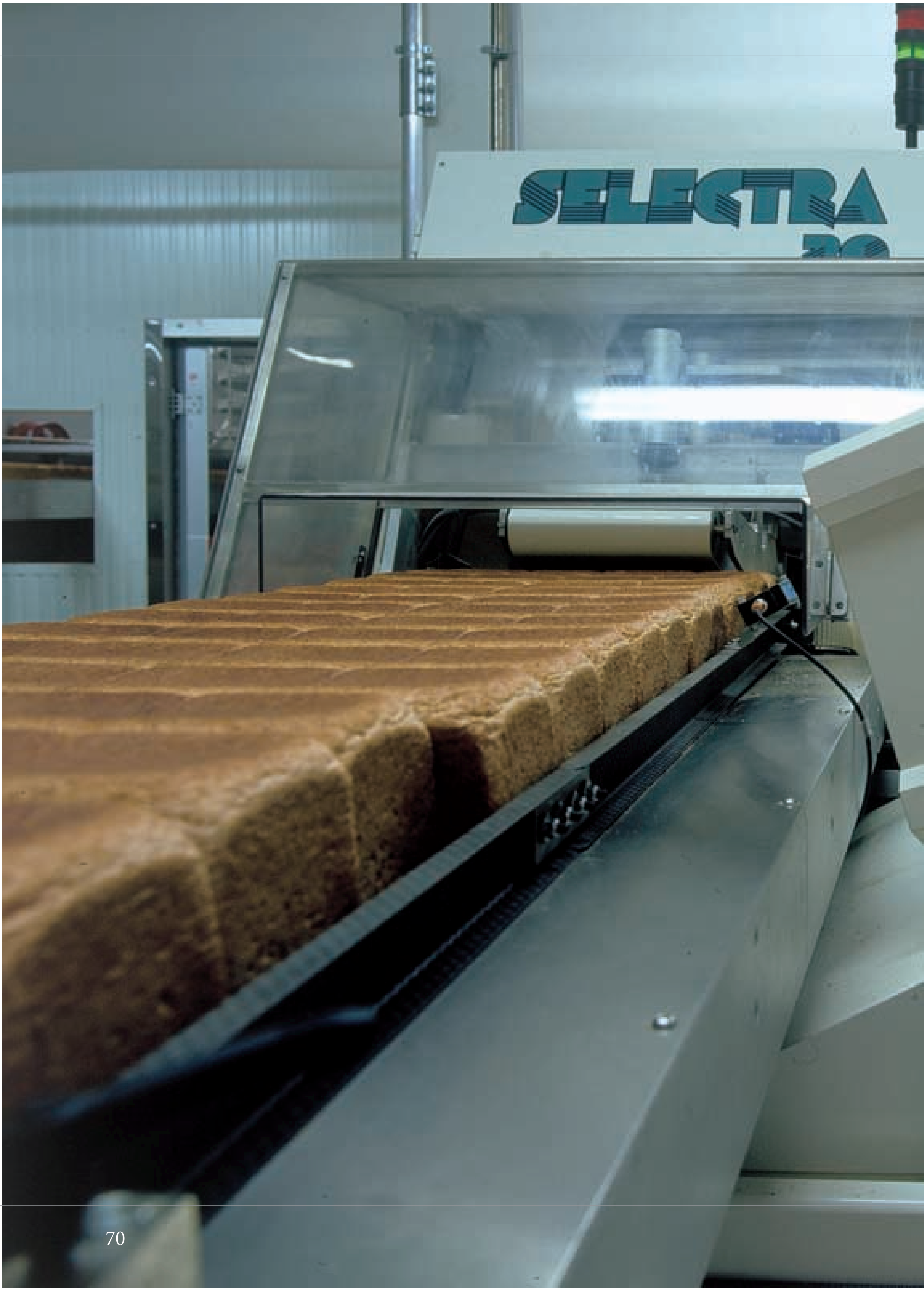
The appendices to the notes to the consolidated financial statements are as follows:

Appendix 1
List of Group companies

Appendix 2
Cash flow statement

Appendix 3
Exchange rates

Appendix 4
First time adoption – Transition to International Financial Reporting Standards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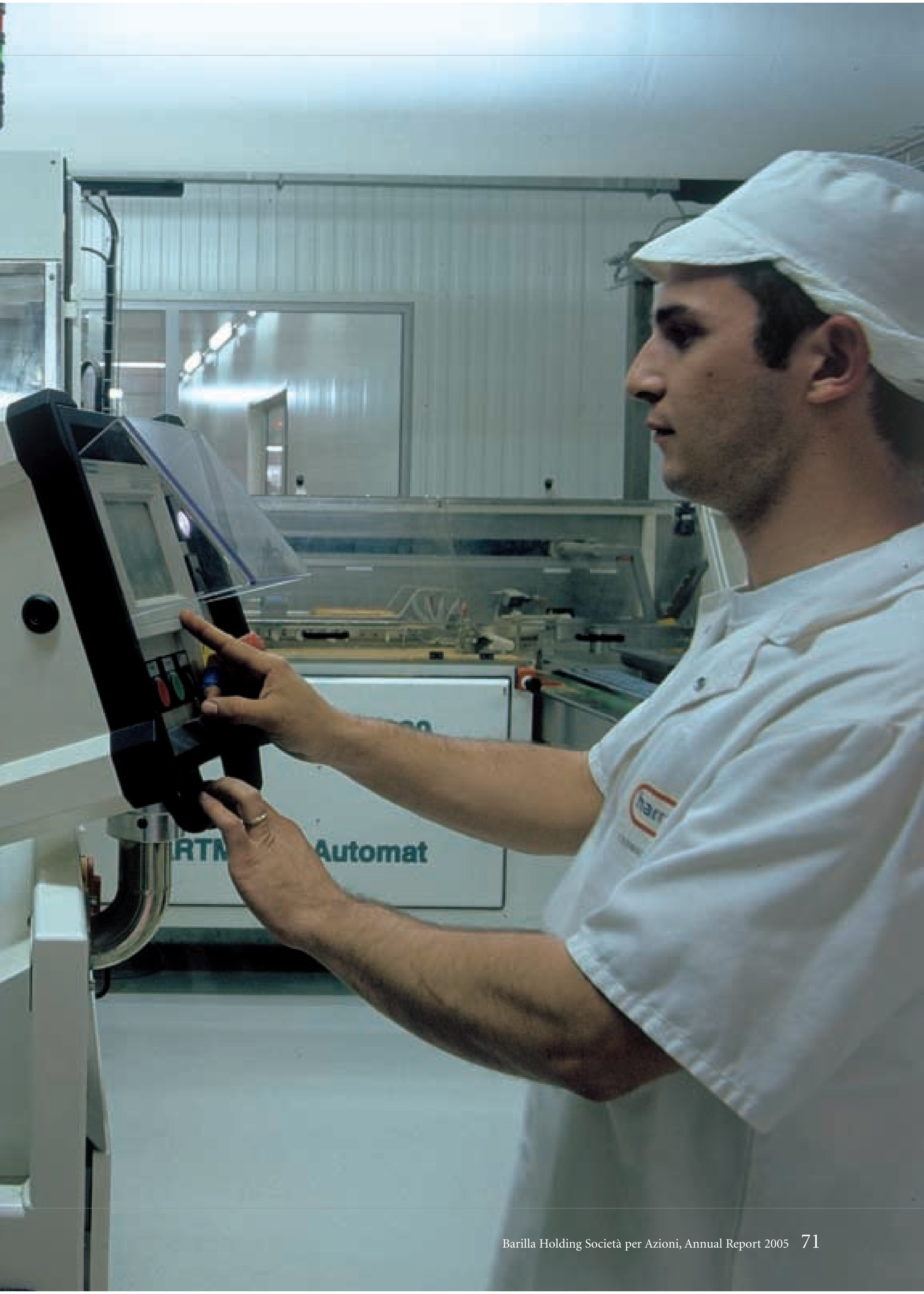
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List of investments in consolidated companies

Appendix 1

Company, Headquarters, Business	currency (in unit)
GranMilano S.p.A. Via Bistolfi, 31 Milan (ITALY) • Production and trade	EURO
Sanson S.r.l. Via Bistolfi, 31 Milan (ITALY) • Production and trade	EURO
Mongelo S.r.l. Via Monzoro, 140 Cornaredo MI (ITALY) • Production and trade	EURO
GranMilano Distribuzione S.r.l. Via Bistolfi, 31 Milan (ITALY) • Production and trade	EURO
Barilla Finance S.A. Cote d'Eich, 73 - L-1450 (LUXEMBOURG) • Financial	EURO
Financieringmaatschappij Relou B.V. Amsterdam (NETHERLANDS) • Financial	EURO
Finba Luxembourg S.A. Cote d'Eich, 73 - L-1450 (LUXEMBOURG) • Financial	EURO
Relou Italia S.r.l. Via Farini, 29 - 43100 Parma (ITALY) • Financial	EURO
Finba Bakery Europe AG Dusseldorf (GERMANY) • Financial	EURO
Finba Bakery Holding GmbH Dusseldorf (GERMANY) • Financial	EURO
Finba Food International BV Reeuwijktch (NETHERLANDS) • Financial	EURO
Kamps AG Dusseldorf (GERMANY) • Production and trade	EURO
Kamps IT-Service GmbH Garrel (GERMANY) • Services	EURO
Logi-K GmbH Dusseldorf (GERMANY) • Services	EURO
Kamps Bakeries GmbH Dusseldorf (GERMANY) • Production and trade	EURO
Bart's Retail B.V. Beuningen (NETHERLANDS) • Production and trade	EURO
Bart's Retail Food B.V. Beuningen (NETHERLANDS) • Financial	EURO
Duet Bakklaar Produkten Alkmaar B.V. Alkmaar (NETHERLANDS) • In liquidation	EURO
Market Food Group Spakenburg (NETHERLANDS) • Production and trade	EURO
Kamps Holding N.V. Buschoten (NETHERLANDS) • Production and trade	EURO
Kamps Nederland B.V. Rotterdam (NETHERLANDS) • Production and trade	EURO
Erkens Bakkerijen B.V. Brunssum (NETHERLANDS) • Production and trade	EURO
Kamps Brot- und Backwaren GmbH Garrel (GERMANY) • Production and trade	EURO
Scherpel GmbH Pfungstadt (GERMANY) • Services	EURO
Zimmermann Beteiligungs GmbH Erkrath - Unterfeldhaus (GERMANY) • Production and trade	EURO
Dahli - Kuchen Franz Dahloff Gmbh & Co. Geseke (GERMANY) • In liquidation	EURO
Dahloff Gmbh Geseke (GERMANY) • In liquidation	EURO
Isogone Grundstucksverwaltungsgesellschaft mbH & Co. VermietungsKG (GERMANY) • Leasing	EURO
SL Mobilien Leasing Aries GmbH & Co. KG (GERMANY) • Leasing	EURO
Grado Grundstuecksvermietungsgesellschaft mbh Dusseldorf (GERMANY) • Leasing	
Linda Grundstuecksvermietungsgesellschaft mbh Dusseldorf (GERMANY) • Leasing	EURO
Silur Grundstuecks Vermietungsgesellschaft mbh Dusseldorf (GERMANY) • Leasing	
Julia Grundstuecksverwaltungsges GmbH & Co. Vermietungs KG Mannheim (GERMANY) • Leasing	EURO
Nexus Grundstuecksverw. GmbH & Co. Vermietungs KG Mainz (GERMANY) • Leasing	EURO
Degemakro Grundstuecksverw. GmbH & Co. Immo-Verw. KG Eschborn (GERMANY) • Leasing	EURO
Finbakery Netherlands B.V. Amsterdam (NETHERLANDS) • Financial	EURO
Harry's S.C.A. 58-60, avenue Kléber 75116 Paris (FRANCE) • Financial	EURO
La Bella Easo SA Poligono de Malpica, Calle B parcella 62-63 E50016 Zaragoza (SPAIN) • Production and trade	EURO
Harry's Portugal SA 12 Rua Garrett 1200-204 Lisbona (PORTUGAL) • Trade	EURO
Harry's Delta SRO Heydukova 314 - 386 01 Strakonice (CZECH REPUBLIC) • Production and trade	CZK
Harry's Management Services Ltd Bunnian Place, Basingstoke - RG 21 7 JE Hants (UK) • Financial	GBP
Harry's Morato S.p.A. Via D'Azeglio, 49 36077 Altavilla Vicentina (VI) (ITALY) • Production and trade	EURO
Finbakery Finance SNC 58-60, avenue Kléber 75116 Paris (FRANCE) • Services	EURO

Share Capital	% ownership	Held by	
6,000,000	100.000	100.000	Barilla Holding Società per Azioni
10,631,514	100.000	100.000	GranMilano S.p.A.
1,040,000	100.000	100.000	GranMilano S.p.A.
220,000	100.000	100.000	GranMilano S.p.A.
150,000	95.000	95.000	Barilla Holding Società per Azioni
12,934,845	68.880	68.880	Finba Luxembourg S.A.
236,300,000	99.997	99.997	Barilla Holding Società per Azioni
157,100,000	68.873	100.000	Financieringmaatschappij Relou B.V.
50,000	51.000	100.000	Finba Bakery Holding GmbH
25,000	51.000	51.000	Finba Luxembourg S.A.
18,000	51.000	100.000	Finba Bakery Europe AG
83,505,000	51.000	100.000	Finba Bakery Europe AG
26,000	51.000	100.000	Kamps AG
100,000	51.000	100.000	Kamps AG
520,000	51.000	100.000	Kamps AG
18,151	10.200	100.000	Bart's Retail Food B.V
20,000	10.200	20.000	Kamps Holding N.V.
-	51.000	100.000	Kamps Holding N.V.
27,000	51.000	100.000	Kamps Holding N.V.
3,359,000	51.000	100.000	Finba Food International B.V.
2,723,000	51.000	100.000	Kamps Holding N.V.
163,000	51.000	100.000	Kamps Nederland B.V.
535,000	51.000	100.000	Kamps AG
11,248,000	51.000	100.000	Kamps Brot- und Backwaren GmbH
50,000	51.000	100.000	Kamps Brot- und Backwaren GmbH
10,226,000	51.000	100.000	Kamps Brot- und Backwaren GmbH
26,000	51.000	100.000	Kamps Brot- und Backwaren GmbH
20,000			de facto control (Kamps AG)
5,000			de facto control (Kamps AG)
-			de facto control (Kamps AG)
26,000			de facto control (Kamps AG)
-			de facto control (Kamps AG)
10,000			de facto control (Kamps AG)
26,000			de facto control (Kamps AG)
1,000			de facto control (Kamps AG)
3,294,118	51.000	51.000	Finba Luxembourg S.A.
83,948,596	51.000	100.000	Finbakery Netherlands B.V.
7,601,000	51.000	100.000	Harry's S.C.A.
700,000	51.000	100.000	Harry's S.C.A.
80,620,000	25.500	50.000	Harry's S.C.A.
1,800,000	51.000	100.000	Harry's S.C.A.
517,000	35.700	70.000	Harry's S.C.A.
40,000	51.000	99.975	Harry's S.C.A.
		0.025	Harry's Management services

Company, Headquarters, Business	currency (in unit)
Quality Bakers Picardie S.A.R.L. Gauchy (FRANCE) • Production and trade	EURO
Harry's France SAS B.P 193 – Rue du grand Prè 36004 Chateauroux Cédex (FRANCE) • Production and trade	EURO
Harry's CIS Butyrski Tupik 1 Solnechnogorsk 141500 Mosca (RUSSIA) • Production and trade	RUB
ZAO KONDI Ufa (RUSSIA) • Production and trade	RUB
Harry's Benelux NV Gentstraat 52 B-9971 Lembeke (NETHERLANDS) • Trade	EURO
Harry's Russia, Denmark, A/S Hjortsvanger 15 – DK 7232 Give (DENMARK) • Financial	DKK
Fresh Cake A/S San. - Bir 5, Bolge 12, Cadde N°67 34904 Buyukecekmece (TURKEY) • Production	EURO
Harry's Engineering (NETHERLANDS) • In liquidation	EURO
Barilla G. e R. Fratelli Società per Azioni Viale Riccardo e Pietro Barilla 3/A Parma (ITALY) • Production and trade	EURO
Barilla Iniziative S.r.l. Via Mantova, 166 Parma (ITALY) • Financial	EURO
Barilla Servizi Finanziari S.p.A. Via Mantova, 166 Parma (ITALY) • Leasing	EURO
CO.RI.AL. Scpa S.S. 16 Zona Industriale Incoronata, Foggia (ITALY) • Research and developments	EURO
Academia Barilla S.p.A. Via Mantova, 166 Parma (ITALY) • Trade	EURO
F.I.R.S.T. Retailing S.p.A. Via Mantova, 166 Parma (ITALY) • Trade	EURO
F.I.R.S.T. Commerciale S.r.l. Via Mantova, 166 Parma (ITALY) • Trade	EURO
Barilla France S.A. 2 Place des Vosges, Immeuble Lafayette, La Défense, Courbevoie 92400 – Paris (FRANCE) • Trade	EURO
Misko Pasta Manifacturing A.E. 26 Pappou & Akragantos Str. – Athene (GREECE) • Production and trade	EURO
Barilla America Inc. 1200 Lakeside Drive 60015-1243 – Bannockvurn Lincolnshire (USA) • Trade	USD
Barilla Do Brasil LTDA A.V.Pinzon, 144 – 7° Andar CJ 71 e 72 Vila Olimpia Sao Paulo (BRASIL) Trade	BRL
Barilla Japan K.K. Shuwa Kiochio TBR Building 1001, 5-7 Kojimachi chioda-ku – 102-0083 Tokio (JAPAN) • Trade	JPY
Barilla Austria G.M.B.H. Valiergasse 61/3/5, a-62020 Innsbruck (AUSTRIA) • Trade	EURO
Barilla Mexico S.A. de C.V. Calzada San Bartolo Naucalpan 360 Col. Argentina Poniente Deleg. Miguel Hidalgo, 11230 City of Mexico (MEXICO) • Trade	MXN
Serpasta Pastificio S.A. de C.V. Calzada San Bartolo Naucalpan 360 Col.Argentina Ponente Deleg. Miguel Hidalgo, 11230 City of Mexico (MEXICO) • Production and trade	MXN
Number 1 Logistics Group S.r.l. Via Mantova, 166 Parma (ITALY) • Distributive logistics services	EURO
Filiz Gida Sanayi Ve Ticaret S.A. Buyukdere cad. – Dogus Han, 42 Mecidiyekoy Istanbul – (TURKEY) • Production and trade	TRL
Barilla A.G. Zugerstrasse 76B – 6340 Baar (SWITZERLAND) • Trade	CHF
Wasabrod Ab 80 Commune Stockolm (SWEDEN) • Production and trade	SEK
Ideal Wasa As Myrveten 12 - 23T2 Ottestad N – 2301 Hamar (NORWAY) • Production and trade	NOK
Wasabrod As Mileparken, 18 DK –2740 Skovlunde (DENMARK) • Trade	DKK
Wasa Barilla Poland Sp. Z.o.o. ul. Poleczki 23 - 822 Warsaw (POLAND) • Production and trade	PLN
Barilla Wasa Deutschland GmbH Ettore Bugatti Strasse, 35 D-51149 Koln (GERMANY) • Production and trade	EURO
Barilla Australia PTY Ltd Deane Street, 9 Burwood 2134 – NSW Sidney (AUSTRALIA) • Trade	AUD
Barilla Wasa Benelux B.V. De Molen 13, 3994 DA Utrecht, (NETHERLANDS) • Trade	EURO
Gelit S.p.A. Via Ninfina Km. 2,700 - 04012 Cisterna Latina (LT) (ITALY) • Production and trade	EURO

Share Capital	% ownership	Held by	
153,000	51.000	100.000	Harry's France SAS
13,641,000	51.000	100.000	Harry's S.C.A.
373,480,000	51.000	100.000	Harry's Russia, Denmark, A/S
10,198,000	48.358	94.820	Harry's CIS
500,000	30.600	60.000	Harry's S.C.A.
97,236,000	51.000	100.000	Harry's S.C.A.
6,423,000	25.500	50.000	Harry's S.C.A.
	51.000	100.000	Harry's S.C.A.
175,440,000	84.748	51.000	Barilla Holding Società per Azioni
		49.000	Relou Italia S.r.l.
190,000,000	84.748	100.000	Barilla G. e R. Fratelli Società per Azioni
30,000,000	84.748	100.000	Barilla G. e R. Fratelli Società per Azioni
8,264,000	84.748	99.938	Barilla G. e R. Fratelli Società per Azioni
		0.062	Gelit S.p.A.
100,000	84.748	100.000	Barilla G. e R. Fratelli Società per Azioni
5,000,000	84.748	100.000	Barilla G. e R. Fratelli Società per Azioni
10,000	84.748	100.000	F.I.R.S.T. Retailing S.p.A.
456,000	84.748	100.000	Barilla G. e R. Fratelli Società per Azioni
12,114,000	84.748	100.000	Barilla G. e R. Fratelli Società per Azioni
1,000	84.748	100.000	Barilla G. e R. Fratelli Società per Azioni
19,538,080	84.748	99.990	Barilla G. e R. Fratelli Società per Azioni
		0.010	Barilla Servizi Finanziari S.p.A.
10,000,000	84.748	100.000	Barilla G. e R. Fratelli Società per Azioni
436,000	84.748	100.000	Barilla G. e R. Fratelli Società per Azioni
177,748,096	42.374	50.000	Barilla G. e R. Fratelli Società per Azioni
50,000	40.679	96.000	Barilla Mexico S.A. de C.V.
		2.000	Barilla G. e R. Fratelli Società per Azioni
5,000,000	84.748	100.000	Barilla G. e R. Fratelli Società per Azioni
2,940,000,000,000	84.744	99.995	Barilla G. e R. Fratelli Società per Azioni
1,000,000	84.324	99.500	Barilla Wasa Benelux B.V.
5,000,000	84.748	100.000	Barilla G. e R. Fratelli Società per Azioni
1,950,000	84.748	100.000	Wasabrod Ab
500,000	84.748	100.000	Wasabrod Ab
12,150,000	84.748	100.000	Wasabrod Ab
51,100	84.748	100.000	Wasabrod Ab
19,050,000	84.748	100.000	Barilla G. e R. Fratelli Società per Azioni
18,000	84.748	100.000	Barilla G. e R. Fratelli Società per Azioni
774,750	84.748	100.000	Barilla G. e R. Fratelli Società per Azioni

List of investments in associated and other companies

Company, Headquarters, Business	currency (in unit)
Banca Popolare Italiana S.c.a.r.l. Via Polenghi Lombardo, 13 Lodi (ITALY) • Bank	EURO
Buongiorno Vitaminic S.p.A. Borgo Mosnovo, 2 Parma (ITALY) • New economy	EURO
ISTUD S.p.A. Via Principe Amedeo,1 – 20121 Milan (ITALY) • Staff training	EURO
Fiere di Parma S.p.A. Via F. Rizzi, 67/A – Parma (ITALY) • Fair activities	EURO
CE.P.I.M. S.p.A. Loc. Bianconese – 43010 Parma (ITALY) • Warehousing	EURO
Immobiliare Caprazucca S.p.A. Str. Al ponte Caprazucca, 6 – Parma (ITALY) • Other	EURO
S.I.GRA.D. Scrl Via Palestro, 35 – Rome (ITALY) • Farmers' union	EURO
SOGEAP - Aeroporto di Parma Società per la gestione S.p.A. Via dell'Aeroporto, 44/a – 43010 Parma (ITALY) • Airport activities	EURO
BRW S.p.A. Via Savona, 97 – Milan (ITALY) • Advertising	EURO
Pallino Pastaria Company 1207 208th Avenue S.E. – Sammamish 98075 – Washington (USA) • Production and trade	USD
DEG Eishockey GmbH Dusseldorf (GERMANY) • Other	EURO

Share Capital	% ownership	Held by	
885,127,227	0.86	0.86	Barilla Holding Società per Azioni
20,189,815	2.36	2.36	Barilla Holding Società per Azioni
1,136,212	0.077	0.091	Barilla G. e R. Fratelli Società per Azioni
20,235,270	0.275	0.325	Barilla G. e R. Fratelli Società per Azioni
6,642,928	0.322	0.380	Barilla G. e R. Fratelli Società per Azioni
7,517,948	0.0000242	0.0000286	Barilla G. e R. Fratelli Società per Azioni
40,000	2.119	2.500	Barilla G. e R. Fratelli Società per Azioni
4,357,308	2.975	3.510	Barilla G. e R. Fratelli Società per Azioni
6,306,121	24.577	29.000	Barilla G. e R. Fratelli Società per Azioni
501,500	11.716	13.824	Barilla America Inc.
54,000	6.324	12.400	Kamps AG

Cash flow statement

Appendix 2

(in thousands of euro)	2005	2004
CASH FLOW FROM OPERATIONS		
Net income (loss)	(267,691)	8,051
Loss attributable to minority interests	(340,728)	(53,054)
Depreciation and amortisation	326,254	331,675
Write down of goodwill	639,000	-
Employees' leaving indemnity accrual	5,734	16,353
Write-down of investments	17,877	17,488
Write-down of fixed assets booked within extraordinary expenses	9,715	5,611
Revaluation of investments	-	(1,676)
- Change in trade receivables and others	17,135	78,106
- Change in inventories	6,826	(16,858)
- Change in accrued income and prepaid expenses	5,829	9,713
- Change in payables and provisions	(24,593)	(2,549)
- Change in accrued liabilities and deferred income	(7,350)	(3,061)
- Change in provision for taxes	(12,708)	8,720
- Change in tax payables	7,300	(24,007)
- Change in provision for employees' leaving indemnity	(13,778)	(13,733)
Variation in structure and in equity	(591)	13,986
CASH FLOWS GENERATED BY OPERATIONS	368,231	374,765
INVESTING ACTIVITIES		
Purchase of tangible assets	(257,826)	(221,421)
Purchase of intagible assets (ERP)	(15,528)	(1,681)
Net book value of tangible assets disposed	15,916	13,304
Net increase of intangible assets	(5,850)	(5,143)
Acquisition of investments	(25,675)	(77,093)
Disposal of investments	48,142	27,460
Net change on investiments sale	9,536	2,110
Capital grants cashed	3,745	3,386
CASH FLOWS USED IN INVESTING ACTIVITIES	(227,540)	(259,078)
FINANCING ACTIVITIES		
Reimbursements on financial borrowings	(276,890)	(325,852)
Decrease in securities classified within financial assets	6,002	33,796
Dividends paid	(27,975)	(15,000)
CASH FLOW GENERATED (USED) BY FINANCIAL ACTIVITIES	(298,863)	(307,056)
Increase/(Decrease) in cash and cash equivalents	(158,172)	(191,369)
Cash and cash equivalents at the beginning of period	85,094	276,463
CASH AND CASH EQUIVALENTS AT THE END OF YEAR NET OF SHORT TERM FINANCIAL DEBTS	(73,078)	85,094

Exchange rates

Appendix 3

The main exchange rates used for the translation of foreign currency financial statements in the consolidated financial statements are as follows:

	Average	Year end 12.31.05
AUD Australian dollar	1.6323	1.6109
BRL Brazilian real	3.0363	2.7731
CHF Suiss franc	1.5484	1.5551
DKK Danish krone	7.4519	7.4605
JPY Japanese yen	136.8645	138.9000
MXN Mexican peso	13.5630	12.7431
NOK Norwengian kroner	8.0107	7.9850
PLN Polish zloty	4.0231	3.8600
SEK Swedish Krona	9.2815	9.3885
TRL Turkish lira	1592400	1592400
USD American dollar	1.2443	1.1797
GBP British pound	0.6839	0.6853
CZK Krona - Rep. Ceca	29.7811	29.0000
RUB Rublo - Russia	35.2253	33.9200

Following the decision to adopt International Financial Reporting Standards, the Group has prepared the First Time Adoption (FTA) Appendix as at 1 January 2005.

The Group will adopt International Financial Reporting Standards (IFRS) in the preparation of its financial statements for the year ending 31 December 2006, with a date of transition to IFRS's on 1 January 2005.

In accordance with the requirements of paragraphs 39 and 40 of IFRS 1, this Appendix includes a reconciliation of the profit for the year ended 31 December 2005 and a reconciliation of consolidated equity at 1 January 2005 and 31 December 2005 (Reconciliation Statements).

The Reconciliation Statements were prepared solely for the purpose of the transition project for the preparation of the first complete set of consolidated financial statements in accordance with IFRS endorsed by the European Union (EU) and, as a result, do not contain comparative information and disclosure notes that would be required for a complete presentation of the consolidated state of affairs, financial position and results for the year in accordance with the requirements of international accounting standards.

The Reconciliation Statements have been prepared in accordance with IFRS issued to date by the International Accounting Standards Board (IASB) and interpretations provided by the International Financial Reporting Interpretation Committee (IFRlC) and the Standing Interpretations Committee (SIC) endorsed by the European Union, assuming that the same standards were in force at 31 December 2006.

Supplementary disclosure contains the key decisions taken in relation to the principal exemptions available under IFRS 1.

1. Principles of consolidation

The consolidated financial statements comprise the financial statements of the parent company Barilla Holding S.p.A. and its subsidiaries.

The scope of consolidation includes subsidiaries, associated companies and joint ventures.

The financial statements of subsidiaries that operate in hyperinflationary economies have been adjusted to reflect the changed purchasing power of the local currency in accordance with financial reporting in hyperinflationary economies.

The financial statements of subsidiaries denominated in foreign currencies are translated into euro using year-end exchange rates for the balance sheet and the average exchange rates for the profit and loss account, with the exception of subsidiaries operating in hyperinflationary economies where the profit and loss account is translated at year-end exchange rates.

The differences arising as a result of using different exchange rates are reported in the exchange translation reserve.

The subsidiaries are consolidated on a line-by-line basis, eliminating intra-Group transactions and unrealised gains and losses.

Investments in associated companies are consolidated using the equity method. The carrying value of associated companies includes any goodwill purchased at the acquisition date. The results for the period and any movements in net assets are recorded respectively in the consolidated profit and loss accounts and shareholders' equity.

Investments in joint ventures are consolidated applying the proportional method.

The effects of transactions with associated companies and joint ventures that have not been realized with third parties are eliminated.

Intangible assets
Intangible assets with a definite useful life are valued at cost net of amortisation and accumulated impairment losses. Intangible assets with indefinite useful life are tested annually in order to identify any impairment.

Amortisation commences when the asset comes into use.

- Goodwill
Goodwill is subjected to an annual impairment test. For the purposes of this test, goodwill is allocated to individual cash-generating units or Groups of cash generating units not exceeding the business segment.

- Brands
Brands and licences are valued at cost less amortisation and accumulated impairment losses. Cost is amortised over the lesser of the contract period and the estimated useful life.

- Software
Software licence costs, including directly attributable costs, are capitalised and recorded in the financial statements net of amortisation and accumulated impairment losses.

- Research and development costs
Research expenditure relating to new products and/or processes is expensed as incurred. Based on the Group business, there are no development costs that meet the requirements which allow capitalisation.

The useful lives of intangible assets are as follows:

	Years
Brands	5 to 20
Software	3 to 5

Property, plant and equipment
Property, plant and equipment are carried at historical or production cost, including directly attributable costs.

Property, plant and equipment are valued at cost, net of depreciation and accumulated impairment losses, with the exception of land which is not depreciated and is measured at cost less accumulated impairment losses.

Depreciation is calculated from the month in which the asset comes into use or from the moment in which economic benefits are consumed through use of the asset.

Depreciation is calculated on a systematic monthly basis using rates that allow the asset to be depreciated over its useful life.

Depreciation rates are as follows:

	Years
Buildings	33
Plant and machinery:	
- Generic	13
- Specific	10 to 20
- High electronic	5 to 8

Government capital grants on property, plant and equipment are recorded as a reduction in the asset value and released to the profit and loss account over the depreciation period of the asset they relate to.

Leasehold improvements are classified in property, plant and equipment depending on the nature of the costs incurred. The depreciation period is the lower of the residual useful life of the asset and the residual duration of the lease contract.

Spare parts which are significant in value are capitalised and depreciated over the useful life of the assets to which they relate; the cost of minor spare parts is charged to the profit and loss account as incurred.

Assets acquired under finance lease contracts are accounted for as property, plant and equipment with a contra-entry to the relative financial liability. The lease payment is split between interest expense, recorded in the income statement, and the repayment of principal, recorded as a reduction of the financial liability.

Impairment of property, plant and equipment and intangible assets
Where there is an indication that an asset may be impaired, an impairment test is carried out on property, plant and equipment and intangible assets with definite useful life.
This consists in a measurement of the recoverable amount of the asset, an estimate of which is then compared with the carrying amount.
If the recoverable amount of an asset is lower than its carrying value the asset is impaired and the latter is reduced to its recoverable amount. This reduction is an impairment loss and is included as an expense in the profit and loss account. With regard to assets that are not depreciated/amortised, disused property, plant and equipment, or tangible and intangible assets not yet available for use, the impairment test is carried out on an annual basis even where there are no indications that the assets might be impaired.

Financial assets available-for-sale
This category includes investments and other securities not held for trading.
These financial assets are valued at fair value with fair value changes recorded to shareholders' equity.
In the event of a prolonged or significant diminution in value, any loss previously recognised to equity is recognised to the profit and loss account.
Any impairment losses recognized on available-for-sale equity securities can not be reversed through the income statement.
Purchases and sales of available-for sale financial assets are recognized at the trade date.

Inventory
Inventories are measured at the lower of cost, determined using the FIFO method, and net realisable value.

Receivables
Receivables are initially recorded at fair value. With regard to trade receivables, the fair value generally coincides with the nominal value where the term of payment is not material. Non-current receivables are valued at amortised cost using the effective interest rate method and are written down to reflect losses in value. Receivables denominated in foreign currencies are stated at year-end exchange rates.

Payables
Payables are valued at amortised cost.
Payables denominated in foreign currencies are stated at year-end exchange rates.

Financial assets held for trading
Financial assets held for trading are recorded at fair value with fair value changes recorded to the profit and loss account. Costs directly attributable to acquisition are expensed as incurred.
The purchase and sale of financial assets held for trading are recorded at the trade date.

Cash and cash equivalents
Cash and cash equivalents include bank deposits, post office accounts, and cash on hand and are stated at nominal value.

Provisions
Provisions include liabilities in respect of present obligations (legal or constructive) that derive from a past event where it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount may be made.

Employee benefits
Post-employment benefits which are payable after the completion of employment that relate to defined benefit plans and other long-term benefits are measured on an actuarial basis. The liability recorded in the balance sheet represents the discounted value of the Group obligations, net of any plan assets.

With regard to defined benefit plans, the Barilla Group has adopted the option allowed by IAS 19 which results in the actuarial gains and losses being recorded to equity in the period in which they arise.
Service costs and interest costs of defined benefit plans are classified within employee costs.

Financial receivables
Financial receivables are initially recorded at fair value. Subsequently they are measured at amortised cost determined applying the effective interest rate.

Financial liabilities
Financial liabilities are initially recorded at fair value, net of transaction costs. Subsequently they are measured at amortised cost determined applying the effective interest rate.
These are classified in current liabilities unless the Group has an unconditional right to extend the duration of the liability to at least 12 months after the balance sheet date.

Financial instruments
Accounting for derivatives
Derivatives are initially measured at fair value with subsequent fair value recognised in the profit and loss account with the exception of those derivatives designated as cash flow hedges.

Derivates designated as hedging instruments
For the purposes of IAS 39 for all derivates designated as hedging instruments, the Group formally documents from inception of the hedge, the relationship between the hedging instrument and the risk covered, the risk management objectives and the strategy followed in entering into the hedge transaction.
The Group also documents the effectiveness of the hedge instrument in compensating the risk being hedged. This evaluation is performed at the beginning of the hedge relationship and is measured continuously throughout its maturity.

• ***Fair value hedges***
Where a derivative is designated to cover the exposure to changes in fair value of a recognised asset or liability, any gains or losses arising from subsequent fair value measurement of the hedging instrument are recognised to the income statement as for the gains or losses attributable to the hedged risk.

• ***Cash flow hedge***
Where a hedging instrument is designated to hedge the variability in cash flows attributable to recognised assets or liabilities or highly probable forecast transactions, any gains or losses on the effective portion of the hedging instrument are recognised to a separate component of equity called cash flow hedge reserve, while the ineffective portion is recognised to the profit and loss account.
The amounts recognised directly to equity are recycled to the profit and loss account when the hedged transaction affects the profit and loss account.
When a hedging instrument reaches maturity, is sold or no longer satisfies the conditions for hedge accounting, the adjustments accumulated in equity are retained in equity until the hedged item affects the profit and loss account. If it is expected that the hedged item will not generate an impact on the profit and loss account, the accumulated adjustments must be recognised immediately in the income statement.

Derivates not designated as hedging instruments
The fair value changes for derivate instruments that are not designated as hedges are recognised to the profit and loss account.

Determination of fair value
The fair value of interest rate swaps is calculated based on the discounted value of estimated future cash flows. The fair value of forward foreign exchange contracts is determined using the forward exchange rates for similar duration at the balance sheet date.
The fair value of other financial instruments quoted in an active market is based on market prices at the balance sheet date. The fair value of instruments that are not quoted in an active market is determined using valuation techniques based on a series of methods and assumptions linked to observable markets at the balance sheet date.

Taxation
Current taxes are determined based on a reasonable estimate of the tax liabilities calculated in accordance with tax legislation in force in the relevant countries.

Deferred income taxes are determined based on the temporary differences between the financial reporting and tax values of assets and liabilities (balance sheet liability method) and are classified as non-current assets and liabilities.
Deferred tax assets are recorded where it is probable that they will be realised in future periods.

Shareholders' equity
- Costs of share capital transactions
Costs directly attributable to transactions on the share capital of the Group entities are recognised as a reduction in shareholders' equity.

Profit and loss account
The format of the IFRS profit and loss account presents costs by function.

Revenue recognition
Revenues are measured at the fair value of the consideration received for the sale of goods or rendering of services using the accrual basis method.

Sale of goods
Revenue from the sale of goods is recognised when all of the following conditions have been satisfied:
- the entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- effective control over the goods is transferred;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the costs incurred or to be incurred in respect of the sale can be measured reliably.

Dividends
Revenue arising on dividends should be recognised when the shareholder's right to receive payment is established, which is normally when it is declared by the shareholder's meeting.
Dividends received from associated companies are recorded as a reduction in the value of the investment.

Accounting principles for hyperinflationary countries
The Group companies operating in hyperinflationary countries translate the original financial statements to eliminate distortion resulting from the loss in purchasing power of money. The inflation rate used for accounting purposes corresponds to the consumer price index.
Companies operating in countries in which the cumulative inflation rate over the last three years is approaching, or exceeds, 100% adopt hyperinflationary accounting and cease to be hyperinflationary when the cumulative inflation rate over a three year period is below 100%.
Gains and losses on monetary positions are recognized in the income statement.

2. Basis of preparation of opening balance sheet

The opening balance sheet at the date of transition to IFRS (1 January 2005) was prepared in accordance with the following principles:

- all assets and liabilities whose recognition is required by IFRS were recognised;
- the assets and liabilities whose recognition is not permitted by IFRS were not recognised;
- IFRS were applied in the measurement of all recognised assets and liabilities;
- all adjustments relating to first-time adoption of IFRS have been booked against net equity.

It should be noted that valuation and measurement are based on the IFRS in force at 31 December 2005 and the interpretations issued by the International Financial Reporting Interpretations Committee - IFRIC.

The results of the work performed by the audit firm PricewaterhouseCoopers S.p.A. on the opening net equity under IAS/IFRS as at 1 January 2005 and the net equity and result under IAS/IFRS as at and for the year ended 31 December 2005 are attached as an appendix.

The Group applied the accounting standards adopting a retrospective approach apart from the exceptions from full retrospective application allowed by IFRS 1 and those situations where the exemptions available under IFRS 1 have been used.

Exceptions from full retrospective application available under IFRS 1:

1. Derecognition of financial assets and liabilities
The requirements of IAS 39 must be applied prospectively from 01/01/2004.

2. Hedge accounting
Hedge accounting must be applied prospectively to transactions which satisfy the requirements of IAS 39 from the date of transition to IAS 32 and 39 (01/01/2005).

3. Estimates
Estimates carried out in accordance with IAS/IFRS at the date of transition to IAS/IFRS must be consistent with estimates made for the same date under previous GAAP, after adjustments to reflect any difference in accounting policies, unless there is objective evidence that those estimates were in error.

The optional exemptions adopted by the Group are detailed below:

1. Business combinations
The Group has opted to adopt IFRS 3 prospectively from 1 January 2005.

2. Cumulative translation differences
The Group has taken advantage of the exemption allowed by IFRS 1 which allows at the date of transition to set the cumulative translation differences to zero against retained earnings.

Other exemptions set out in IFRS 1 are not applicable or were not used by the Group.

Reconciliation of equity at 1 January 2005, 31 December 2005 and the profit for the year ended 31 December 2005:

	1/1/2005	Net result 2005	Dividends	Translation reserve	Other movements	12/31/2005
Total net equity - Italian GAAP	**1,464.69**	**(608.28)**	**(27.98)**	**19.63**	**(0.68)**	**847.40**
1. Put options - minority shareholders	(156.00)	(15.00)	-	-	-	(171.00)
2. Spare parts	(38.98)	0.34	-	-	-	(38.64)
3. Financial instruments and derivatives at fair value	(11.89)	15.20	-	-	(0.86)	2.45
4. Discontinuing operations	(6.03)	6.03	-	-	-	-
5. Revenue recognition	(2.62)	0.26	-	-	-	(2.35)
6. Goodwill	3.07	41.80	-	-	-	44.88
7. Provisions for contingencies and risks	5.36	(0.59)	-	-	-	4.77
8. Employees benefits	12.97	2.48	-	-	(12.55)	2.91
9. Deferred taxes	33.42	(1.15)	-	-	3.83	36.10
10. Minors	1.16	(2.47)	-	-	0.68	(0.63)
11. Translation reserve	-	-	-	(7.15)	-	(7.15)
Italian GAAP - IAS/IFRS difference on total net equity	(159.53)	46.91	-	(7.15)	(8.89)	(128.66)
Total net equity - IAS/IFRS	**1,305.16**	**(561.37)**	**(27.98)**	**12.48**	**(9.57)**	**718.73**
Italian GAAP - Net equity attributable to minority interests	686.19	(340.58)	(19.98)	3.52	(0.68)	328.47
Italian GAAP - IAS/IFRS difference on total net equity attributable to minority interests	(18.13)	11.43	-	(0.84)	(0.83)	(8.37)
Net equity attributable to minority interests - IAS/IFRS	**668.06**	**(329.16)**	**(19.98)**	**2.69**	**(1.51)**	**320.10**
Italian GAAP - Net equity attributable to parent company	778.51	(267.69)	(8.00)	16.11	-	518.92
Italian GAAP - IAS/IFRS difference on total equity attributable to parent company	(141.40)	35.48	-	(6.31)	(8.06)	(120.29)
Net equity attributable to parent company - IAS/IFRS	**637.11**	**(232.21)**	**(8.00)**	**9.80**	**(8.06)**	**398.63**

Explanatory notes to the reconciliation statement prepared in accordance with IFRS 1
The main adjustments arising from adoption of IFRS are detailed below:

1. Put option with minority shareholders
The liability related to the Put written in favour of the minority shareholders of Barilla G. R. Fratelli. The amount represents the estimated exercise price.

2. Spare parts
Spare parts of significant value relating to plant and machinery, which were previously classified as inventory, under IAS 16 must be capitalised and amortised over the useful life of the asset to which they relate. Expenditure on spare parts which are not material in value is charged to the profit and loss account as incurred. As a result, opening equity at 1 January 2005 has decreased by euro 38.98 million and the result for the year ended 31 December 2005 has increased by euro 0.34 million.

3. Financial instruments and derivatives at fair value
The decrease in net equity at 1 January 2005 of euro 11.89 million is due to the combined effect of the following:
- investments classified as financial assets under Italian GAAP are classified for IAS/IFRS as financial assets available-for-sale and should be measured at fair value with a corresponding entry to net equity (IAS 39). The effect in the opening net equity amounts to euro 11.87 million. The 2005 result has been adjusted for the reversal of the write-down amounting to euro 13.95 million as this has already been recognised at fair value at 1 January 2005;
- in accordance with IAS 39 the derivatives for the US private placements qualified for fair value hedging and are accounted for as liabilities with a corresponding entry in the net equity for euro 45,52 million; and
- in accordance with IAS 39, loans are recognised applying the amortised cost method. This calculation includes all origination fees and transaction costs which are considered an integral part of the effective interest rate. In accordance with IAS 21 the loans in foreign currency are converted at the year end currency rate. The positive effect in the opening equity amounts to euro 45.5 million.

4. Discontinued operations
In accordance with IFRS 5 assets classified as held for sale are recognised at the lower of carrying value and fair value less costs to sell.

5. Revenue recognition on sale of goods
According to IAS 18, revenue relating to the sale of goods should generally be recognised when ownership is transferred to the buyer. In a number of cases the selling entity may retain involvement, as a result the rewards of ownership have not in fact been transferred. The nature and extent of the selling entity's involvement will determine recognition of the transaction. The opening equity position at 1 January 2005 for IAS/IFRS has decreased by euro 2.62 million as a result of the deferral of a number of transactions. The 2005 result has decreased by euro 0.26 million.

6. Goodwill
In accordance with IAS 38, goodwill must no longer be amortised on a systematic basis but subject to an annual impairment test to identify any loss in value ("impairment test"). This change results in an increase in the result for 2005 of euro 41.8 million due to the reversal of amortisation charged in accordance with Italian GAAP.

7. Provisions for contingencies and risks
IAS 37 establishes the accounting and disclosure principles relating to provisions and contingent assets and liabilities. A provision for restructuring costs is only made when certain conditions are met. In this regard, an obligating event has occurred when a detailed formal restructuring programme exists which has raised valid expectations, with third parties, that the entity will carry out the restructuring. These conditions have resulted in the reversal of provisions previously made.

8. Employee benefits
In accordance with IAS 19 post employment benefits such as defined benefit plans and other long term benefits are subject to actuarial valuations to recognise the present value of the benefits earned at the balance sheet date. This results in an increase in the opening equity position at 1 January 2005 of euro 12.97 million which largely relates to TFR (staff leaving indemnity). The 2005 result benefits from lower costs totalling euro 2.48 million, resulting from the recognition of the entire amount of actuarial gains and losses against net equity. Net equity at 31 December 2005 is further decreased by euro 12.55 million in respect of the recognition of actuarial gains and losses relating to 2005.

9. Deferred taxes
This line comprises the tax effect of the recognised adjustments discussed above. As a result of these tax effects, a positive adjustment of euro 33.42 million has been recorded in net equity at 1 January 2005, a positive adjustment of euro 3.83 million has been made to net equity at 31 December 2005, and a negative adjustment of euro 1.15 million was accounted for in the 2005 profit and loss account.

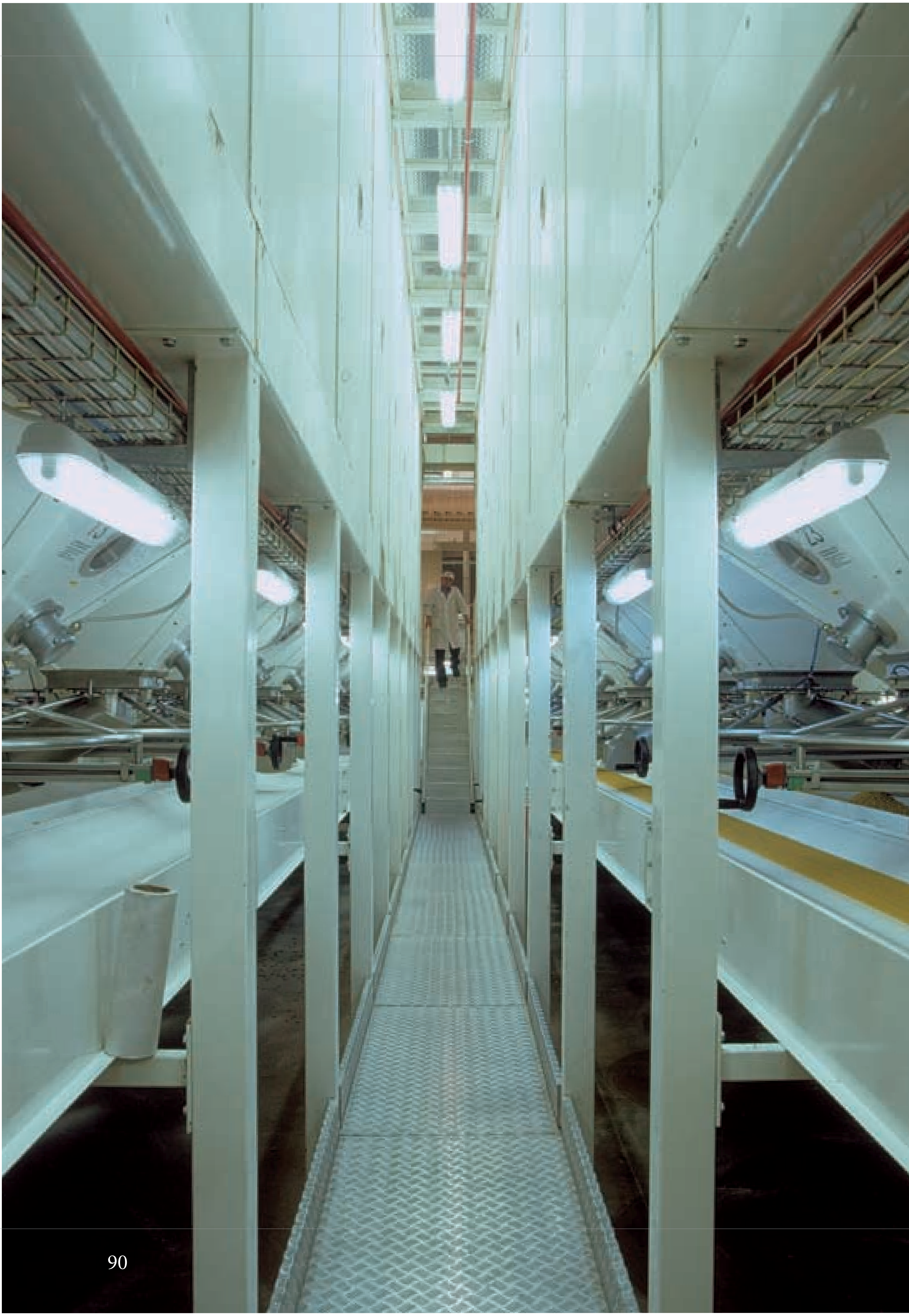
Analysis of the impact of applying IAS/IFRS on the net financial position (non GAAP measure)

The main effects are as follows:

NFP - Italian GAAP 12/31/2005	**1,745**
1. Put options - minority shareholders	171
2. Derecognition of financial instruments for sale of receivables	29
3. Financial instruments and derivatives at fair value	(1)
Italian GAAP - IAS/IFRS difference on NFP	199
NFP - IAS/IFRS 12/31/2005	**1,944**

1. Put option with minority shareholders
The liability related to the Put written in favour of the minority shareholders of Barilla G. R. Fratelli. The amount represents the estimated exercise price.

2. Derecognition of financial instruments for sale of receivables
Based on Italian GAAP, the transfer of VAT receivables without recourse qualifies for the recognition. With the introduction of IAS 39, these transfers do not qualify for the recognition.
This accounting treatment has a negative impact of euro 29 million on the net financial position at 31 December 2005.



INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 2409 OF THE ITALIAN CIVIL CODE

To the Shareholders of
Barilla Holding SpA

1 We have audited the consolidated financial statements of Barilla Holding SpA and its subsidiaries (Barilla Holding Group) as of and for the year ended 31 December 2005. These financial statements are the responsibility of the Barilla Holding management. Our responsibility is to express an opinion on these financial statements based on our audit.

2 We conducted our audit in accordance with the recommended auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the consolidated financial statements of the prior period, which are presented for comparative purposes as required by law, reference is made to our report dated 8 June 2005.

3 In our opinion, the consolidated financial statements present fairly the financial position of Barilla Holding Group as of 31 December 2005 and the results of its operations for the year then ended in accordance with the Italian civil law governing the preparation of financial statements.

Milan, 22 June 2006

PricewaterhouseCoopers SpA

Signed by

Paolo Caccini
(Partner)

"This report has been translated into English from the original Italian version which was issued in accordance with the Italian practice".

AUDITORS' REPORT ON THE IFRS RECONCILIATION SCHEDULES ILLUSTRATING THE IMPACT OF THE TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

To the Board of Directors of
Barilla Holding SpA

1. We have audited the accompanying Reconciliation Schedules of the consolidated net equity at 1 January 2005, at 31 December 2005 and of the consolidated net result for the year ended 31 December 2005 (hereinafter the "IFRS Reconciliation Schedules") of Barilla Holding SpA and its subsidiaries (Barilla Holding Group) and the related explanatory notes, as presented in the consolidated financial statements of Barilla Holding Group as of 31 December 2005. The aforementioned IFRS Reconciliation Schedules derive from the consolidated financial statements of Barilla Holding Group as of 31 December 2005 prepared in compliance with the Italian civil law governing the criteria for the preparation of financial statements, which we audited and on which we issued our report on 22 June 2006. The IFRS Reconciliation Schedules have been prepared in connection with the process of transition to the International Financial Reporting Standards (IFRS) endorsed by the European Commission. The IFRS Reconciliation Schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the IFRS Reconciliation Schedules based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in Italy. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the IFRS Reconciliation Schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the IFRS Reconciliation Schedules. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

3. In our opinion, the IFRS Reconciliation Schedules, taken as a whole, have been prepared in compliance with the criteria and standards set out in IFRS 1 – First-time Adoption of International Financial Reporting Standards.

4. We wish to emphasise that the IFRS Reconciliation Schedules, having been prepared for the sole purpose of the transition project for the preparation of the consolidated financial statements at 31 December 2006 in compliance with the IFRS endorsed by the European Commission, do not include the comparative financial information and explanatory notes that would be required in order to present fairly the consolidated financial position and the consolidated result of operations of Barilla Holding Group in compliance with IFRS. Furthermore, we point out that the financial information reported in the IFRS Reconciliation Schedules could be subject to adjustment should the European Commission alter its stance with respect to approval of IFRS or should the IASB or IFRIC issue new pronouncements.

Milan, 22 June 2006

PricewaterhouseCoopers SpA

Signed by

Paolo Caccini
(Partner)

"This report has been translated into English language solely for the convenience of international readers".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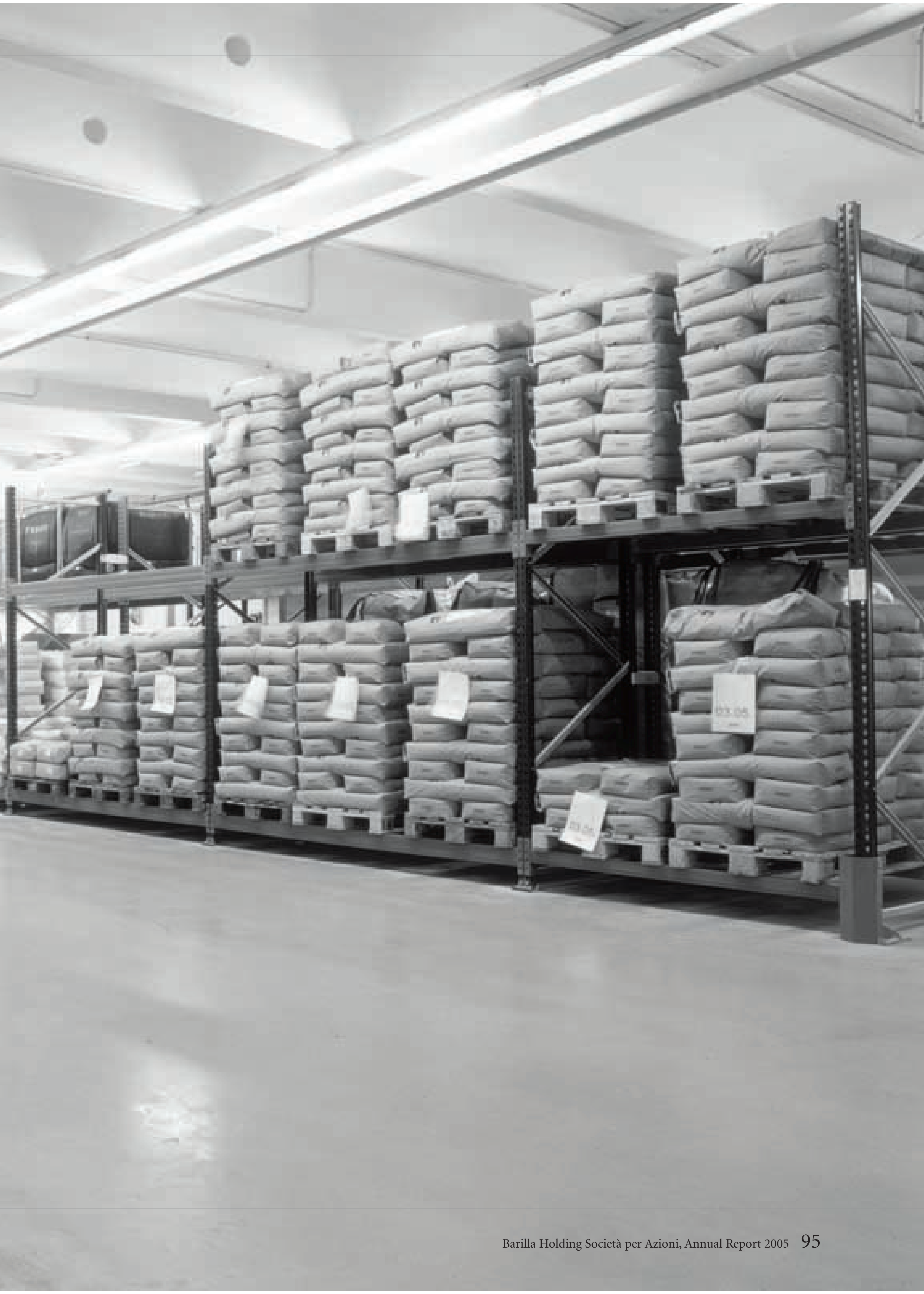

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