Annual report 2008

Barilla Holding S.p.A.

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Barilla Holding Società per Azioni

Summary

Luca, Paolo e Guido Barilla

Chairman's letter

2008 was marked by the global crisis in the markets and the dramatic downturn in the economy that created a climate of uncertainty and a significant fall in family consumer spending. Volatile raw material prices, in particular oil, had a considerable impact on durum wheat, which despite a drop in value was still higher than the average 2006 quotations. 2008 was the worst recession since 1929 and the first few months of 2009 saw a further worsening in the international economy although there were signs of stability in consumer spending on food.

Our commitment at this difficult time continues to focus on innovation aimed at helping people throughout the world to follow a healthy and balanced diet without compromising the quality of our products. In this current climate we have continued to bring our corporate culture and values to the markets that has secured increased profits and strong financial stability and will allow us to face competitive challenges in the coming years.

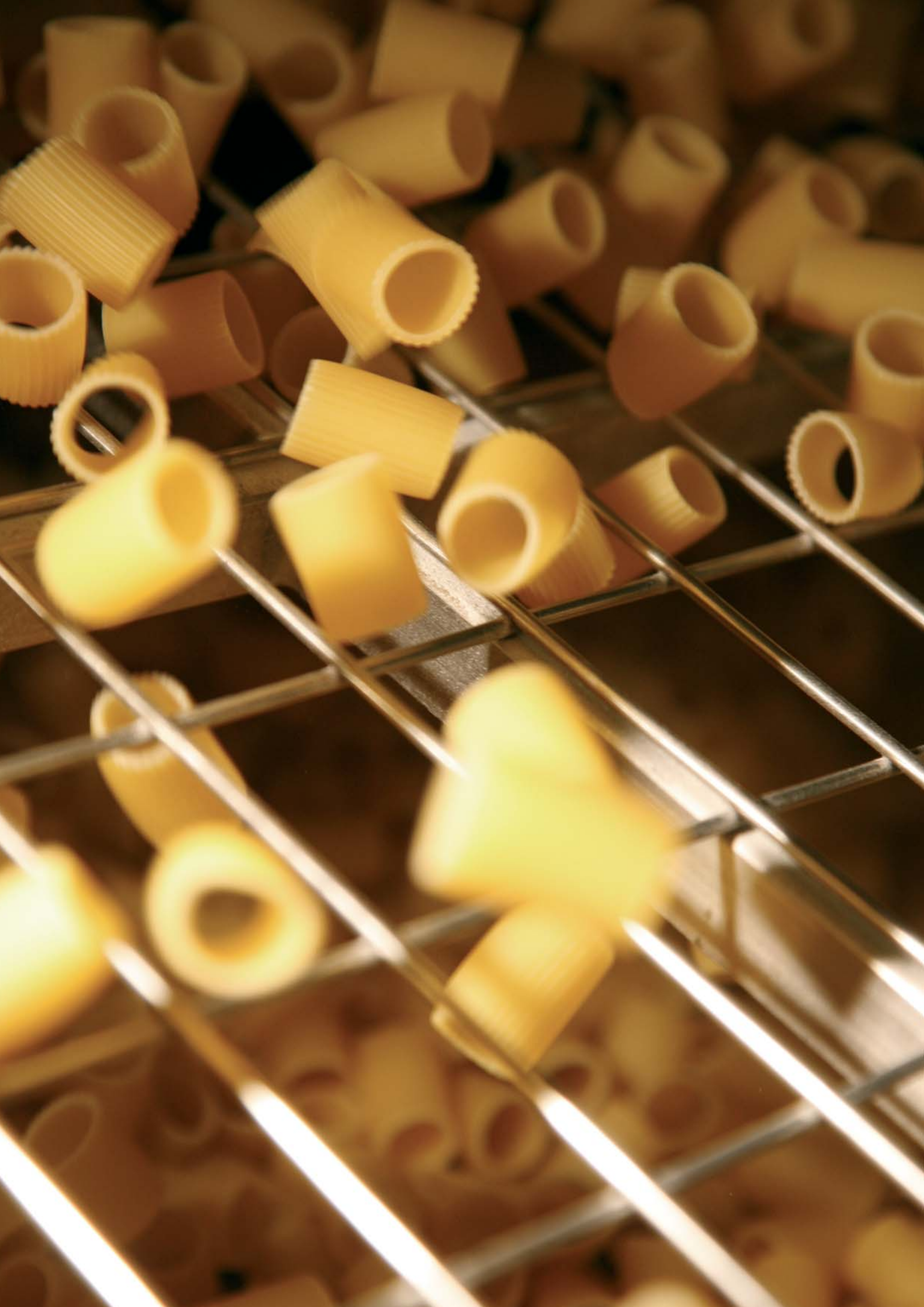
Our strategy will continue to research efficient industrial solutions, exploiting the skills and synergies within the Group. This resulted in the merger of Barilla France and Harry's to form one company that will consolidate the market position in continental Europe, which we have always considered our home market. We further strengthened our leadership in the US pasta market, a contributing factor being the completion of the new plant in Avon.

Our commitment to international growth continues, where we are expanding through synergies between pasta and sauces. We have continued to promote the values of the Barilla brand in Italy, an aggressive market in terms of promotional pressure. With regard to the European bakery products market, the market position of Harry's and Wasa was further strengthened. Mulino Bianco and Pavesi's leadership position in Italy was enhanced while the introduction of Alixir to the functional foods market seems to have started on the right foot.

Customer relations will continue to be as open as possible in order to ensure greater value is offered to them. This will be achieved even in the presence of increased promotional tactics resulting in greater price pressure, which could have a negative impact on relations between the industry and its distributors.

The real challenge for the food industry at this time is to learn to listen to its customers and offer products that are not only high quality and nutritionally balanced, but also reflect positive behaviour: this is why we created the Barilla Center for Food & Nutrition, a multidisciplinary think tank that will listen to current and emerging trends that affect the company in relation to important issues in the field of food and nutrition, the aim being to present unique, high quality scientific and professional solutions to the relevant decision making institutions and individuals.

Guido Barilla



Directors and officers

BARILLA HOLDING SPA

Board of directors

Chairman
- Guido Maria Barilla

Deputy chairmen
- Luca Barilla
- Paolo Barilla

Chief executive officer
- Robert Singer

Directors
- Emanuela Barilla
- Giuseppe Vita

Board of statutory auditors

Chairman
- Luigi Capitani (from 22 May 2008)
- Giampiero Alinovi (until 22 May 2008)

Auditors
- Alberto Pizzi
- Augusto Schianchi

Alternate auditors
- Franco Chierici
- Ugo Tribulato

BARILLA G. E R. FRATELLI

Board of directors

Chairman
- Guido Maria Barilla

Deputy chairmen
- Luca Barilla
- Paolo Barilla

Chief executive officer
- Massimo Potenza

Directors
- Emanuela Barilla
- Paolo Biancardi (until 23 April 2008)
- Nicolaus Issenmann
- Manfredo Manfredi
- Andrea Pontremoli (from 23 April 2008)
- Robert Steven Singer

Board of statutory auditors

Chairman
- Augusto Schianchi

Auditors
- Giampiero Alinovi
- Mario Tardini

Alternate auditors
- Franco Chierici
- Alberto Pizzi

LIEKEN AG (in precedenza KAMPS AG)

Supervisory board

Chairman

Ulrich Hüppe

Directors

Guido Maria Barilla
Paolo Barilla
Emmanuel Bonnaud (until 7/1/2008)
François Carrard
Nico Issenmann
Augusto Schianchi
Franco Guariglia (from 10 January 2008)
Marco Biagioni (from 10 January 2008)

Employee representatives

Ernst Busch
Barbara Erath
Herbert Gluma
Ernst Ingber
Carsten Kelbch
Peter Störling
Hans Werner Wasmund
Norbert Weiner

Management board

Chairman

Wolfgang Keller

Directors

Massimo Ambanelli
Jaap Schalken
Cristiano Alocci
Jörg Drangmeister (from 1 January 2008)

HARRY'S SAS

Supervisory board

Chairman

Guido Maria Barilla (until 31 March 2008)

Directors

Paolo Barilla (until 31 March 2008)
Marco Biagioni (until 31 March 2008)
Laurent Dolfi (until 31 March 2008)
Enrico Fagioli Marzocchi (until 8 January 2008)
Nicolaus Issenmann (until 31 March 2008)
Augusto Schianchi (until 31 March 2008)
Fabio Labruna (until 8 January 2008)

Management board

Alain Strasser - *gérant* (until 31 March 2008)
Paolo Alfieri (from 1 April 2008)
Marco Biagioni (from 1 April 2008)
Nicolaus Issenmann (from 31 October 2008)
Giangaddo Prati (from 1 April 2008)

Directors' Report

In an international economy that suffered a dramatic downturn in 2008, Group revenue in 2008 (principally relating to operations in Italy, US, France, Germany and Northern Europe), including the results of businesses that were disposed of up until the date a controlling interest was held, amounted to Euro 4,535 million (2007 - Euro 4,245 million), an increase of 6.8% on the previous year. Considering the same scope of consolidation (comparing information that excludes the revenue of the subsidiaries sold in 2008 and 2007), revenue increased by 11% while volumes remained stable.
The Group's consolidated profit for the year (excluding the profit for the year attributable to minority interest) amounted to Euro 78 million compared to Euro 73 million in the prior year. The total consolidated profit for the year (including amounts attributable to minority interest) equalled Euro 85 million, while the corresponding amount in 2007 totalled Euro 73 million; profit for the year attributable to minority interest was approximately Euro 6 million (almost nil in 2007).

Transactions involving investments

In the course of 2008, the Group's scope of consolidation was reduced subsequent to the following disposals:
• Barilla Holding Società per Azioni (hereinafter "Barilla Holding") sold its 100% investment in Sammontana SpA on 25 June. This was directly owned by GranMilano SpA and operates in the ice cream, cakes and festivity products business through the Sanson, Mongelo and Tre Marie brands;
• the contract to sell the entire Quality Bakers B.V. business, a member of the Lieken group that operated in the bakery business unit in Holland, was finalised on 7 December.
In the 2008 financial statements Barilla Holding presents a corporate structure in which the investments in operating companies are mainly held indirectly through the sub-holding Finba Iniziative Srl, which is 85% owned by Barilla Holding. This structure reflects the terms of the agreements entered into with the Gruppo Banco Popolare and the minority shareholder Gafina.
In 2008 Barilla Holding continued to perform managerial and co-ordination activities, as defined in article 2497 of the Italian Civil Code, on behalf of Barilla G. e R. Fratelli Società per Azioni in respect of Financial Activities and Central Services comprising: Tax and Risk Management; Consolidation, Accounting Procedures and Group Reporting; Auditing; Group IT; Group Legal Services; Mergers and Acquisitions.
The following commentary provides a detailed review of the activities of the individual companies and that of Barilla Holding, in accordance with the disclosure requirements of article 2428 of the Italian Civil Code and article 40 of Legislative Decree 127 of 9 April 1991.

Accounting standards - International Financial Reporting Standards (IFRS)

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards – IFRS (hereinafter "IAS or IFRS") endorsed by the European Union. The accounting policies adopted are detailed in the notes to the consolidated financial statements.

General information

All amounts are expressed in thousands of Euro except where otherwise indicated. All comparisons made throughout this report and the consolidated financial statements refer to the financial information for the previous reporting period (enclosed in brackets). Percentages (on margins and changes) were calculated based on the values expressed in thousands of Euro. The Group, of which Barilla Holding is the holding company, is hereinafter defined as "Barilla Holding Group" or "the Group". Where comments relate specifically to the parent company, or the individual subsidiaries, the full name and legal form of the companies are stated.

Consolidated financial highlights

The Group's key financial indicators illustrated in the table below comprise the results of businesses that were disposed of during the year (up) until the date on which the company ceased to exercise control over them:

(Euro millions)	31/12/2008	31/12/2007
Revenue	4,535.0	4,244.9
Gross profit	1,723.7	1,722.3
% of revenue	38.0%	40.6%
Operating profit from continuing operations (EBIT) (1)	225.0	222.3
% of revenue	5,0%	5,2%
Finance costs - net	(71.7)	(83.9)
Losses from discontinuing operations	(4.9)	(5.6)
Profit before income taxes	148.3	132.8
% of revenue	3.3%	3.1%
Profit for the year	84.5	72.5
% of revenue	1.9%	1.7%
Profit attributable to minority interest	6.1	0.0
% of revenue	0.1%	0.0%
Profit attributable to group equity holders	78.4	72.5
% of revenue	1.7%	1.7%
EBITDA (2)	444.5	448.0
% of revenue	9.8%	10.6%

(1) EBIT (*Earning Before Interest and Taxes*): operating profit from continuing operations.
(2) EBITDA (*Earning Before Interest Taxes Depreciation and Amortisation*): EBIT from continuing operations before depreciation, amortisation and impairment losses on property, plant and equipment and intangibles.

Revenue by business segment and geographical segment, comprising the results of businesses disposed of during the year up until the date the company ceased to exercise control, may be analysed as follows:

(Euro millions)	Barilla G. e R. Fratelli (1)		GranMilano SpA (2)		Altre (3)		Intercompany		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Italy	1,823	1,640	68	149	15	12	0	(5)	1,905	1,796
Europe (excluding Italy)	744	673	0	3	1,365	1,350	(17)	(18)	2,092	2,008
North America	346	285	0	0	0	0	0	0	346	285
Rest of the world	173	137	0	1	18	18	0	0	192	156
Total	3,086	2,735	68	153	1,398	1,380	(17)	(23)	4,535	4,245

(1) Barilla G. e R. Fratelli includes Harry's for the second half of each year.
(2) The 2008 revenue of the GranMilano group relates to the period up until 25 June 2008, the date of disposal. The 2007 financial information relates to the full year.
(3) This comprises the revenue of the Lieken group, including that of Quality Bakers B.V. – which was sold on 7 December 2008 – in addition to the results of Harry's for the first half year of each year.

EBIT (operating profit from continuing operations) amounted to Euro 225.0 million (Euro 222.3 million), representing 5.0 % of revenue (5.2%).
Profit before income tax amounted to Euro 148.3 million (Euro 132.8 million), equal to 3.3% of revenue (3.1%), while profit for the year totalled Euro 84.5 million (Euro 72.5 million). Profit for the year includes Euro 18.1 million relating to the results of the businesses disposed of during the year (GranMilano group and the Dutch business of the Lieken group), of which Euro 0.3 million represents the profit of the businesses and Euro 17.8 million the net gain on disposal.
Current and deferred income taxes for the year amounted to Euro 84.1 million (Euro 55.5 million). The 2008 effective tax rate was 55.9% compared to 42.8% in 2007. The increase is substantially due to the fact that deferred income tax assets were not recognised in respect of tax losses incurred in the period by a number of subsidiaries (principally in Germany and Holland) and the decrease, compared to the prior year, of amounts deductible for tax purposes only.
EBITDA (operating profit from continuing operations before depreciation, amortisation and impairment losses on property, plant and equipment and intangibles) was Euro 444.5 million (Euro 448 million), representing 9.8% of revenue (10.6%).

EBITDA may be analysed by company, comprising the results of businesses disposed of during the year up until the date the company ceased to exercise control, as follows:

(Euro millions)	2008		2007	
	EBITDA	*% of company revenue*	*EBITDA*	*% of company revenue*
Barilla G. e R. Fratelli (1)	393.9	12.8%	374.0	13.7%
GranMilano (2)	7.4	10.9%	25.3	16.5%
Others (3)	43.2	n.a.	48.7	n.a.
Total	444.5	9.8%	448.0	10.6%

(1) Barilla G. e R. Fratelli includes the results of Harry's for the second half of each year.
(2) The 2008 EBITDA of the GranMilano group relates to the period up until 25 June 2008, the date of disposal. The 2007 financial information relates to the full year.
(3) This comprises the EBITDA of the Lieken group, including that of Quality Bakers B.V. – which was sold on 7 December 2008 – in addition to the results of Harry's for the first half year of each year.

Summary consolidated financial information

(Euro millions)	31/12/2008	31/12/2007
Trade receivables	468	614
Inventories	308	337
Other current assets	172	170
Property, plant and equipment	1,354	1,533
Intangible assets	987	1,069
Investments in associates and other companies	2	10
Other non current assets	30	15
Total assets	**3,319**	**3,748**
Net financial position	869	1,267
Trade payables	858	891
Other payables and liabilities	270	361
Provisions for other liabilities and charges	70	83
Deferred and current income taxes	94	98
Future employee benefits	141	155
Other medium/long-term liabilities	5	8
Total liabilities	**2,309**	**2,863**
Capital and reserves attributable to minority interest	220	283
Capital and reserves attributable to group equity holders	790	601
Total equity	**1,010**	**884**
Total equity and liabilities	**3,319**	**3,748**

The individual balance sheet headings have decreased significantly compared to the previous year end as a result of the disposal of the GranMilano group and Quality Bakers BV, part of the Lieken group in The Netherlands. With regard to assets, the fall in trade receivables was affected by the increased use of without recourse factoring for a total of approximately Euro 146 million. With regard to liabilities, the net indebtedness decreased by Euro 398 million (amounting to Euro 869 million at the year end against the prior year balance of Euro 1,267 million; details of the decrease are illustrated in the Free Cash Flow presented in this report): the lower indebtedness is due only in part to the management of operating funds, while a significant portion is due, on one hand, to the amounts received on disposal of the businesses as noted above and the de-consolidation of their debt, and, on the other, to the increase in own funds (net of dividend distributions) carried out by the shareholders in the course of the year for the purpose of acquiring the minority shareholdings in Lieken and Harry's that were previously owned by the Gruppo Banco Popolare.

The Group's net financial position at the end of 2008 and 2007 may be analysed as follows:

(Euro millions)	31/12/2008	31/12/2007
Cash and cash equivalents	357	644
Current financial assets	158	13
Bank overdrafts and other financial payables	(131)	(487)
Short-term net financial position	**383**	**169**
Financial payables	(1,253)	(1,437)
Medium/long-term net financial position	**(1,253)**	**(1,437)**
Total net financial position	**(869)**	**(1,267)**

Current financial assets relate almost exclusively to AAA rated government bonds (Germany, France, Holland and Sweden) that are close to maturity.
Further details of the individual headings within the net financial position are provided in the notes to the consolidated financial statements and the consolidated primary statements.

The net financial position merits further comment in light of the matters that involved the financial and lending markets in the second half of 2008 and that still persist at the date of this report.
The current financial requirements of the Group are met in full by the following transactions both of which are further detailed in the notes to the consolidated financial statements):

- the debenture loan totalling US Dollars 350 million, issued in December 2003 and divided into three tranches (amounting to and maturing on: US$ 78 million in 2010, US$ 180 million in 2013 and US$ 92 million in 2015), is placed with institutional investors in the United States. These debentures, including the related hedging financial instruments (Cross Currency and Interest Rate Swaps) valued at mark-to-market, amount to a total of Euro 269 million at the year-end;
- the five-year irrevocable multi-line credit facility secured by Barilla Holding in July 2007 with a syndicate of primary Italian and overseas banks for a total of Euro 1,750 million. At 31 December 2008, Euro 1,034 million of this credit facility had been drawn down.

The strategy adopted by Barilla in recent years to extend, through these transactions, the average residual period of its debt has allowed the Group to avoid resorting to financial resources during particularly negative periods for the worldwide financial and lending markets, which has resulted in a constraint of the availability of credit facilities and an increase in the spread to historic highs. At 31 December 2008 the Group had undrawn facilities on the syndicated multi-tranche credit line of Euro 716 million, of which Euro 683 million relates to the tranche with the most flexible terms (multi-purpose and revolving), while the cost of the most significant portion of Group debt enjoys a spread that is decidedly more favourable than those applied on today's financial markets.

The improvement in the short-term net financial position (positive Euro 383 million compared to positive Euro 169 million in 2007) is a reflection of the Group's solidity. In 2008 it repaid almost all of its minor credit facilities that were represented by revolving loans different from the above mentioned credit facilities. The facilities in place at the end of 2008 relate to debenture loans that are term-loans and therefore only repayable in the event of their cancellation.
The Group had to manage a significant amount of short-term financial assets (albeit lower than the previous year) in an extremely difficult and unstable financial climate. Consequently, from September 2008 the Group has taken a cautious approach, adopting specific investment policy in respect of cash funds that are very prudent and restrictive, details of which are set out in note 7 of the notes to the consolidated financial statements. The above-mentioned short-term investment in high rating government bonds reflects this policy.

The Group's Free Cash Flow in 2008, representing available cash flows net of changes in working capital, related to medium/long-term operating activities and cash used in investing activities, increased from Euro 188 million to Euro 398 million. This increase is attributable, in addition to the cash flow generated from operating activities (in which the improvement in working capital management and the fall in capital expenditure played a significant role), to the above-mentioned share capital transactions (net of the acquisition of minority interests), and disposals of investments.

The principal elements of Free Cash Flow may be detailed as follows:

(Euro millions)	31/12/2008	31/12/2007
Profit for the year	85	73
Depreciation/amortisation	207	230
Change in working capital and medium-term items	146	(11)
Acquisition of property, plant and equipment and software	(154)	(226)
Share capital increase	506	108
Acquisition of minority share in Lieken and Harry's	(377)	–
Dividends paid	(184)	(23)
Net book value of property, plant and equipment and intangibles disposals	169	37
Free cash flow	**398**	**188**
Opening net financial position	**(1.267)**	**(1.455)**
Closing net financial position	**(869)**	**(1.267)**

Group structure and organisation

The operating subsidiaries of Barilla Holding manufacture and sell pasta, sauces, and bakery products in Italy and worldwide.

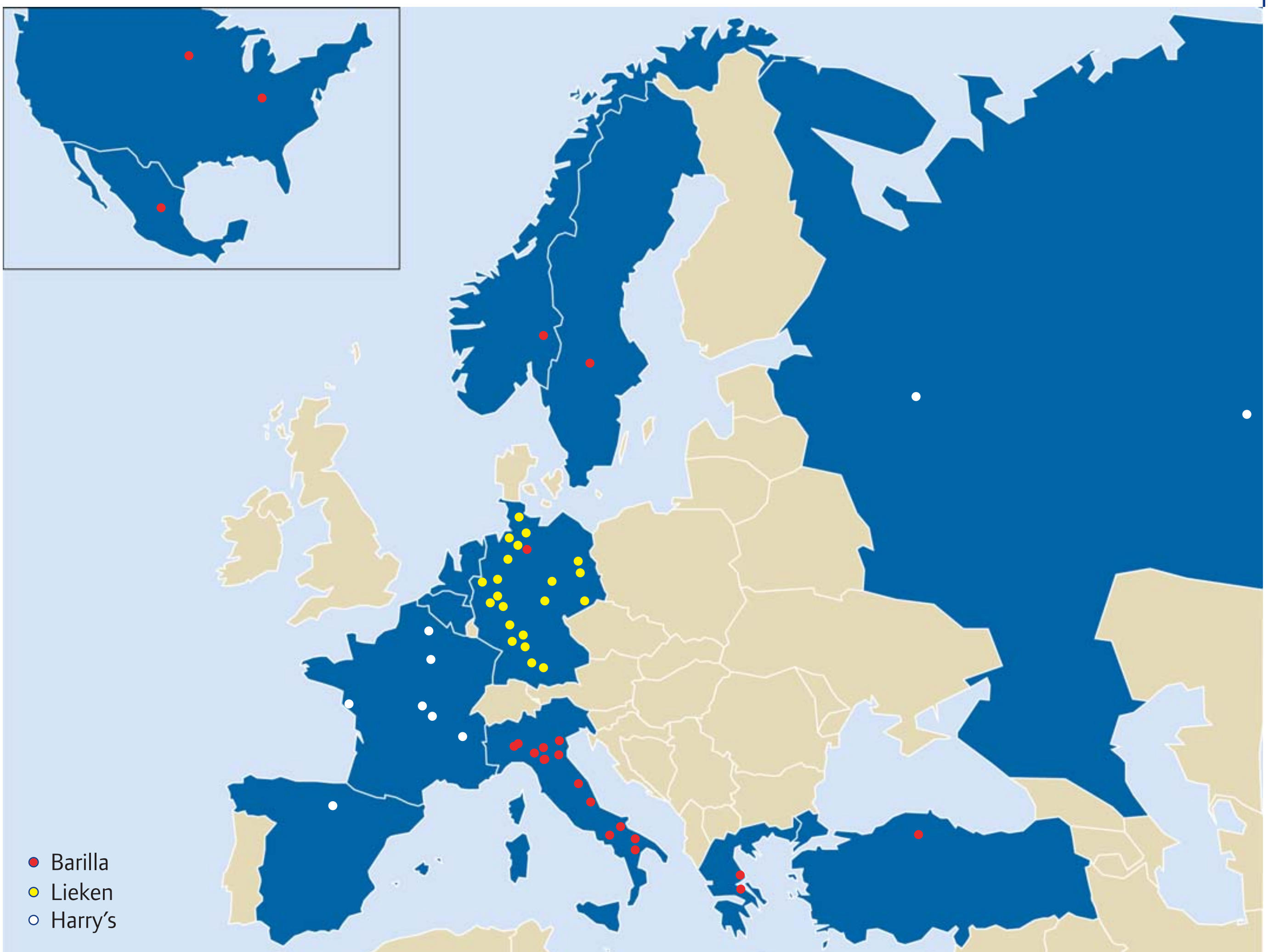
Following the disposal of the GranMilano group and the integration of Harry's within the operations managed directly by Barilla G. e R. Fratelli, the current Group structure is divided into two operating sub-holdings: Barilla G. e R. Fratelli SpA and Lieken AG, together with their subsidiaries (in order to simplify the organisation structure Finba Iniziative Srl and the other non-manufacturing sub-holdings have not been presented).

The Group operates directly in 20 countries, exports its products to more than 100 countries and owns 56 production facilities across 11 countries.
The number of employees at 31 December 2008 was 16,215 (18,882), of which 4,666 (5,553) are employed in Italy and 11,549 (13,329) overseas. The change in employee numbers by category compared to the prior year may be summarised as follows:

	31/12/2008	31/12/2007
Managers and white-collar staff	4,575	5,217
Blue-collar workers	11,640	13,665
Total	**16,215**	**18,882**

The fall in employee numbers is due to the change in the scope of consolidation following the disposal of the GranMilano group and the Dutch business of the Lieken group (Quality Bakers BV), which accounted for approximately 1,500 employees, while the remainder largely relates to the restructuring of the Lieken group in Germany.

Barilla manufacturing sites in Europe and USA



Group companies and related brands

Barilla G. e R. Fratelli

The Barilla brand has its roots in a small bread and pasta store opened in Parma in 1877. Today it is the number one pasta in Italy and around the world. Thanks to the best hard wheat and impressive modern technologies, Barilla supplies millions around the world with pasta that always cooks to a perfect al dente texture, as well as ready-to-eat pasta sauces.

Founded in 1975, Mulino Bianco is truly a part of the cultural fabric of Italian food and of the everyday diet of Italian families. This brand offers simple, genuine bakery products in all categories that are perfect for eating at home or on the go.

Voiello was established in 1879 as a small store in Torre Annunziata, a small town outside Naples, a world capital of pasta making since the 16th century. Voiello pasta comes in all the most popular Neapolitan shapes. Its secret is the uneven surface achieved with bronze dies. Voiello was acquired by Barilla in 1973.

The Pavesi brand was established in 1937 by Mario Pavesi, an inventive baker and entrepreneur in the city of Novara. It offers a wide range of bakery products and pastries, all of which have unique flavor and rely on well-developed production technologies. Pavesi was acquired by Barilla in 1992.

Founded in Sweden in 1919, Wasa is the world's largest producer of crispbreads. It distributes its many rye and wheat products in more than 40 countries. Barilla acquired Wasa in 1999.

Academia Barilla is an international project implemented in 2004. It is dedicated to developing and promoting regional Italian gastronomy as a unique part of the world's cultural heritage.

The leading pasta brand in Greece, Misko was established in 1927 and represents Greece's substantial pasta tradition; its logo depicts the monk Akakio on his donkey, going to buy pasta at the village market. Barilla acquired Misko in 1991.

Established in 1977, Filiz is one of the top pasta producers in Turkey, one of the biggest pasta consuming countries. Barilla acquired Filiz in 1994.

Yemina, created in 1952, and Vesta, in 1966, are two of the leading Mexican brands. Barilla entered that market by forming a joint venture with the Mexican Grupo Herdez in 2002.

Alixir branded products are aimed at consumers who want the best out of life, everyday. They include a wide range of products such as white bread, snacks, crackers and soft drinks whose active ingredients help look after four important organic functions: cardiocirculatory and immune systems, intestinal functions and cell aging.

Founded in 1997, Number 1 is an avant-garde organization created in order to compete effectively in the area of logistics.

GranMilano SpA

(disposed on 25 June 2008)

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.

Harry's SAS

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.

Lieken 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. Kamps joined Barilla in 2002.

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.

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 Barilla in 2002.

The international economy

2008 and, to a greater extent, the beginning of 2009 saw the dramatic worsening in the international financial and economic situation, which had already begun in 2007 with the crisis in the US sub-prime mortgage business, as noted in the 2007 directors' report.

In the second half of the year, the financial crisis rapidly worsened, firstly in the United States; it quickly spread across Europe and Japan. India, China and emerging countries were also affected by the financial crisis as they suffered a sharp fall in growth rates due to lower exports.

The western economy closed 2008 with the greatest economic recession since 1929: the worldwide GDP fell for the first time since 1945. Although unemployment grew, it is currently (with the exception of specific cases such as Spain) below 10%, while in the years following 1929 unemployment in the US had reached 25%. The international stock markets saw 50% wiped off their market capitalisation, with banks losing a much greater amount. The banking, financial and insurance sectors in the US, and also the leading European institutions, were saved by State or federal government intervention, resulting in a partial nationalisation process. The problem of the accountability for the potential insolvency of toxic assets has not been resolved and only in the new plan announced by President Obama on 23 March, there is mention of a possible solution.

France and Germany mirrored the effects of the US crisis. In both countries the banking system in particular suffered as a result of investments in toxic assets with high financial leverage. The crisis in the local property markets resulted in the nationalization of a number of Financial Institutions. The crisis in Germany was aggravated by the fall in exports to the US, and the knock-on effect from Eastern Europe.

With regard to Italy, the banking and financial sector seems to have held up in this time of financial crisis; this is due in part to the lower international presence of the Italian banking system (meaning less overseas interdependence), but in particular to the constant high rate of savings of Italian families who traditionally adopt a prudent approach to financial investment. Despite the fact that the public debt-GDP ratio is one of the highest in Europe (and is still growing), the low level of borrowing by Italian families allows a balance to be maintained within the financial system. Up until now, intervention by the Italian Treasury has been lower than that of other countries such as Great Britain and Germany.

On the monetary front, the large quantity of money printed that was aimed at the banking sector, has obviously resulted in a drastic fall in market interest rates, which are now almost zero. However, the lack of trust in the banking system has, on one hand, caused a significant increase in risk premiums, but, on the other, has reduced the volumes exchanged on the markets, with a significant contraction in credit available to companies with limited bank guarantees and low capitalisation. With regard to the Group's financial position, Barilla had anticipated the financial crisis with a debt policy that is particularly favourable compared to current rates, while maintaining a wide range of undrawn medium-term facilities.

Credit restrictions are creating problems for companies in settling payments, resulting in increased risk of bankruptcy. The Group has not changed the longstanding contractual terms in place with suppliers and customers and there are no signs of a particular increase in customer insolvency.

Naturally the financial crisis has had a damaging effect on the real economy: the 2008 third quarter rapidly reflected the beginnings of recession, with a sharp decline in all real economic ratios, commencing with the important auto sector (which represents 10% of Italy's GDP). The beginning of 2009 stressed these negative tendencies, while public measures to contain them have not yet shown any significant effects.

On the other side, the recession seems to have frozen the raw materials market (in particular oil and cereals), with prices falling rapidly compared to the peak of the 2008 first quarter. Oil has fallen from almost 150 US dollars to the current (March 2009) 45/50 US dollars. The price of semolina has fallen from almost Euro 600 per ton in April 2008, to approximately today's Euro 420 (March 2009). This price is still significantly higher than that of Euro 260 at the beginning of

2006, and a long way from the minimum of Euro 236 in 2005 and Euro 300 in 1996 (the minimum and maximum prices respectively for the 1996-2005 decade).
The current climate creates increased worry at social level as the early months of 2009 show the first concrete signs of increased unemployment. These concerns have led to governments engaging in new economic political initiatives, however the extent and precise nature of the crisis mean that the prospects of finding a solution in the short-term are very unlikely. For the same reasons, the forecasted timing of any upturn is also certain: at present the unanimous opinion is that the recession will be "long and difficult".
As mentioned above, the crisis has hit Italy extremely hard, with rather pessimistic prospects with regard to the real economy, as the Italian economy is based on the conversion of raw materials to semi-finished goods (mechanical sector) and finished goods (food, textile and auto industries). Moreover, up until now the system seems to be holding up, and even the loss in production has not yet affected the entire economy.
In particular – in respect of the area that most interests Barilla – food consumption has remained stable, as expected, given the anti-cyclical nature of this sector. Following a couple of decades that marked a slow decline in sales volumes, pasta consumption has recorded growth, confirming the negative wealth effect during times of crisis, whereby consumers choose more economical products.
The recent fall in raw materials prices and the increase in pasta consumption have undoubtedly eased business management, although rapid price changes and market volatility have increased business risk and contractual obligations. Through prudent and far-sighted policy, the Group has guaranteed regular supplies of excellent quality wheat. Consequently, the Group has adopted very prudent (and therefore costly) policies of market coverage in order to avoid stock-out risks in the manufacturing process. As a result there was a delay in the acquisition price of semolina following the fall in market prices of wheat, which only took effect from spring onwards. Moreover, commencing February 2009, promotional offers were planned in order to support sales volumes and strengthen the competitive position.
At the same time, the fall in raw materials prices intensified competition, particularly between manufacturers and the trade. This strengthening of competition took place through media communication that was often influenced by mass disinformation, on occasion almost manipulative. This unfavourable media attention has often incorrectly associated the trend of pasta prices, which operates in a wide and competitive market, with that of other consumer products that operate in restricted, small, monopolised markets.
From a commercial point of view, the particularly complex situation has increased tension in the relationship between manufacturers and distributors that is reflected in prolonged negotiation times. To this is added the aggressive nature of Private labels and increased promotional pressure in its various forms. This increased competition has forced Barilla to go to extraordinary lengths both to defend and strengthen the brand, and to continue product and process innovation.

Group operating review

Barilla G. e R. Fratelli

Barilla G. e R. Fratelli took over management of Harry's commencing July 2008. The 2008 result compares to a rather negative 2007 in which the majority of the impact of increased raw materials prices was absorbed without being passed on to sales prices. The 2008 performance is also thanks to the continuous commitment of the organisation to implement projects that improve operations and render them more efficient and introduce new products in order to expand the range on offer.
In the course of 2008 the Group continued its strategy to strengthen the competitiveness of its manufacturing and distribution facilities. The rationalisation of the pasta production facilities was finalised with Caserta reaching full operat-

ing capacity with production of up to 110,000 tons while the new factory in Avon in North America is able to produce up to 100,000 tons.
The durum wheat mill in Pedrignano (Parma), which allows an efficient supply chain from Northern Italy, and the rationalisation plan in respect of electrical energy consumption with the installation of three co-generators in Foggia, Pedrignano and Caserta, were both finalised.
The constant investment in manufacturing efficiency and innovation also involved the bakery products' factories with significant work carried out in Melfi, Novara, and Ascoli in Italy and Celle in Germany.
The overall outcome of these projects resulted in savings of Euro 20 million in 2008 alone.
Product innovation introduced new ranges to the markets in which the Group operates; the whole grain pasta range was launched on the US market, new mealtime breads were introduced in Italy and Russia, new sweet bakery products were launched in France and Italy, while the WASA products were consolidated across Europe. New products (those launched in the last three years) contributed almost Euro 50 million to revenue in 2008.

The market share in value terms in the principal markets in which the Barilla G. e R. Group operates confirms the stable presence of both its brands and products.

	Change in revenue compared to 2007	Market share in terms of value	Change in volumes compared to 2007		Change in revenue compared to 2007	Market shares in terms of value	Change in volumes compared to 2007
		Italy				**Greece**	
				Pasta	24%	44%	3%
Pasta*	26%	42%	(4%)			**Switzerland**	
Sauces	4%	31%	4%	Pasta	30%	21%	2%
Bakery	6%	23%	(1%)	Sauces	11%	32%	6%
		U.S.A.				**Turkey**	
Pasta	26%	27%	14%	Pasta	31%	27%	1%
Sauces	4%	4%	7%			**Nordic countries**	
		France		Sweden Pasta	38%	27%	11%
Pasta	22%	19%	(4%)	Sweden Crispbread	6%	63%	(2%)
Sauces	9%	9%	4%	Finland Pasta	55%	–	25%
Bakery **	6%	25%	(3%)	Norway Pasta	27%	–	6%
		Germany		Norway Crispbread	17%	82%	10%
Pasta	40%	11%	(2%)			**Spain**	
Sauces	11%	22%	7%	Bakery ***	(10%)	15,5%	(17%)

* Semola Dry 37.1%; Egg Dry 49.1%; Industrial Filled Pasta (Dry+Wet)5.3%.
** Harry's.
*** La Bella Easo.

During 2008 the company reviewed its organisation structure with the purpose of focusing its resources in three main areas: a Process Unit responsible for global processes, a Business Unit responsible for brand development and product categories and a Market Unit responsible for customers and distribution channels.
In particular the activities of the Barilla G. e R. Fratelli group may be grouped into the following three business units:
• *Meal Solution Business Unit*, relating to the production and sale of first courses (pastas and sauces), in Italy and the rest of the world, with the exception of the North American (U.S.A. and Canada) and Mexican markets.

• *Bakery Business Unit*, consisting of the manufacture and sale of bakery products in Italy and overseas (with the exception of the North American market), principally through the Mulino Bianco, Pavesi, WASA, Harry's and La Bella Easo brands.
• *North America Business Unit*, which manufactures and/or sells pasta dishes in the North American and Mexican markets and sells bakery products, principally the WASA brand, in the North American market.

Meal Solution Business Unit

Pasta

Performance in the markets in which Barilla operates was good in 2008, after years of declining levels of pasta consumption, 2008 recorded an upturn in Italy (+ 0.6%) while the other countries remained stable.
The price lists in Italy and the other countries increased by almost 30.0%, in order to cover the market increase in raw materials' costs in 2007, which continued into the first half of 2008 and was largely absorbed internally. The price of durum wheat in particular (yearly average price quoted on the Foggia commodities market) increased by 33% in 2008 (compared to a 60% increase in 2007). These increases had a more marked effect for Barilla given the high quality and different mix of raw materials used in the various manufactured products.
Strong price competition penalised sales volumes across all markets, eroding market shares. Pasta volumes in 2008 fell by 2.5% (Italy – -3.9%, other countries – -0.6%) compared to 2007.
Market shares in terms of value were down in Italy (-1.3%), but remained stable in other countries.
Total revenue of the Pasta segment increased by 27% compared to 2007.

Sauces

Revenue of the Ready Made Sauces segment increased by 7% in 2008, with a 5% growth in volumes.
Barilla confirmed its leadership in Europe (22.4% share in value terms), with positive results in all countries; Ready Made Sauces consumption presents 7% average growth across all markets.

The increased sales prices balanced the results following the general rise in manufacturing and logistics costs. However the ratio of EBITDA to revenue is still down compared to 2007, which was prior to the beginning of the cycle of increases across all raw materials.

Bakery Business Unit

In the course of 2008 the Bakery markets witnessed two different trends in results. The first part of the year was marked by growth across the different segments in terms of both value and volumes. The second part of the year closed with a significant slowdown in both volume and the market in terms of value. The Italian Bakery markets in which Barilla operates performed well in 2008, driven by Breads that recorded total growth of 9% in value (Soft and Dry Bread), the Breakfast segment increased by 7% and the total Out of Meal categories grew by 5%. Barilla defended its market share compared to the previous year in the Breakfast segment, while its position in the Out of Meal and Breads segments weakened. The most significant change in the market related to the strong performance of Private label and Discount stores during this difficult time for the majority of Italian families, as widely documented by economic research.
Similar results were recorded in the principal overseas markets: positive performance in the first half-year and a significant slowdown in the second part of the year.
The principal markets were: Germany, which saw the Bakery segment achieve 7% growth and Sweden 10% growth against a slight fall in volumes.
The Bakery segment in 2008 recorded a stable level of volumes both in Italy and the main overseas markets despite increased sales prices that took effect from January. Harry's, which was previously a separate business within Barilla Holding and operated principally on the French market with a marginal presence in Spain and Russia, became part of

the Bakery Business Unit in July. The Harry's business suffered a 3% fall in volumes in France. The reference markets performed well: Snacks increased by 7% in value terms, Soft Breads were up 2% in value terms. The market share of Snacks increased (+0.4%), while the Breads share fell (-1.8%). The businesses in Spain and Russia struggled principally due to the stronger impact of the financial crisis on these countries.
Revenue increased by 6% compared to 2007.
The 2008 result was satisfying, increasing slightly on 2007, in particular considering the current market situation and the trend in raw materials prices. Volumes remained stable and the implementation of the increased price lists allowed profitability levels to be maintained, despite this extremely difficult time for the worldwide economy.

North America Business Unit

The constant growth in this business unit continued, with more than a 30% increase in revenue on the previous year. To this growth contributed both the more than 10% increase in volumes, and the increase in sales prices to protect adequate profit level. The market share in terms of value amounted to 26.8%, further consolidating the position in the retail market. The launch of the Piccolini Mini Pasta range and the Whole Grain pasta range supported these results. The market share in Mexico, where Barilla operates in joint venture with the Herdez group, also grew to 11%.

Lieken

The production and organisational restructuring plan of the Lieken group divisions; Kamps Bakeries (the chain of Kamps brand bread stores), Lieken Brot und Backwaren (the Germany Retail division) and Kamps Quality Bakers (the Netherlands Retail division) that commenced following acquisition, continued with renewed intensity in 2008.
The Lieken group recorded revenue of Euro 1,198 million in 2008, more than 1% growth compared to the previous year even taking into account three weeks of lost revenue of the Dutch division that was sold at the beginning of December 2008. Overall the German side of the business recorded approximately 3% growth in revenue.
As at 31 December 2008, the Lieken group manufactured bread and bakery products in 20 factories for daily delivery to the own brand stores and the modern trade.

The *Kamps (Bakeries) division*, which is the largest single brand chain of stores in Germany, recorded an approximately 1% increase in sales compared to 2007, despite a more than 4% fall in volumes resulting principally from the required increase of sales prices. New store openings were in line with plans, as well as were sales by store. An international investment bank was engaged at the beginning of 2008 to find a potential acquirer for Kamps Bakeries GmbH (wholly owned by Lieken AG), which has not yet resulted in any concrete offers.

The *Retail Germany division* had to face a difficult year, principally due to the high increase in raw materials costs (+21% compared to 2007), which could only be reflected in sales prices from the middle of the year following conclusion of negotiations with the Private label customers, thus contributing to maintaining profit margins.
The relationship with German retail distribution – known to have particularly strong bargaining powers – is very difficult and at times hostile. Despite this Lieken managed to launch new projects to collaborate with its largest customers that are aimed at strengthening the position of its products, in particular branded and Bake-off (precooked) products.
The relaunch plan and the integration into the Barilla corporate culture continued with a positive influence on the results for the second half of 2008. Revenue grew by 3.3% mainly due to increased sales prices, while volumes fell by 3%, in part due to the decision to withdraw deliveries to small stores that were low margin earners as a result of the high unit incidence of logistics costs. Moreover, the cost reduction program in respect of the distribution chain and overheads continued. As part of this restructuring plan, the logistics services company Logi-K was resold by Barilla Holding to Lieken AG, which had been acquired by the former at the end of 2006 as part of a plan to improve operations and profitability.

In the course of 2008, the Germany Retail division operated for almost the entire year without the manufacturing plant in Brehna (East Germany) due to the fire that took place at the end of January and seriously damaged both the building and the production lines without harming any employees. The crisis management plan minimised the impact to customers, while reconstruction of the plant together with the three production lines took place during the year. The cost of damages suffered was almost entirely covered by insurance.
With regard to branded products, the Lieken group continues to focus on the Golden Toast and Lieken Urkorn brands and the main product categories (toast, sandwiches, sliced bread and bake-off), relying on new technology in order to improve product quality and service.
Moreover, important marketing actions were implemented, which will continue into 2009, in order to support growth in these categories.

The *Netherlands Retail Division* was sold as a separate business to a leading market competitor on 7 December 2008.

Capital expenditure

In the course of 2008 the Barilla Holding group significantly reduced the level of investment aimed at increasing the production capacity of the plants in Italy and abroad: total capital expenditure was Euro 157.5 million (Euro 225.9 million). This decrease compared to last year is due on one hand to the Group being smaller in size following business disposals, while, on the other hand, to significant and specific investment projects finalised during 2006 and the beginning of 2007.
In 2008 the Barilla G. e R. Fratelli group, invested Euro 106.4 million (Euro 157.6 million). The principal investments related to improvements to the factory in Avon in the US, completion of the mill in Pedrignano (Parma), and the continued rationalisation work on the manufacturing facilities in Italy (comprising Caserta for the Meal Solution Business Unit and Novara for the Bakery Business Unit), France and Celle in Germany (for the Bakery Business Unit).
Lieken invested in property, plant and equipment totalling Euro 51.1 million (Euro 53.2 million), which largely related to the reconstruction of the factory in Brehna, and also to optimise production in a number of its manufacturing facilities.

Research and development

Offering products of the highest quality and nutritional value is still one of the Group's principal objectives and for this purpose it continued development work on new products and studies to find potential alternative technologies.
The Nutritional Advisory Board, a body of experts set-up to monitor topics such as food science, continues to provide valid guidelines that aim to achieve a product portfolio able to offer assurance to customers regarding the safety and nutritional value of food products.
The Group's total expenditure on research and development activities amounted to Euro 36 million (40 million).

Other significant operating events

Details of other significant operating events that affected management of the Group in the course of 2008 are presented below.

Implementation of the agreement with Banco Popolare group

On 8 January 2008 the terms of the agreement established with the Gruppo Banco Popolare in November 2007 were put into effect. In accordance with the agreement the Barilla Holding Group:

- acquired, through the wholly owned subsidiary Finba Iniziative Srl, the Gruppo Banco Popolare's 41.22% indirect holding in Lieken and Harry's for the sum of Euro 434 million, which includes the discharge of the loan for Euro 57 million. In detail, acquisition took place through Finba Iniziative Srl acquiring the following investments: (i) 4.6% of Finbakery Holding GmbH, a 100% subsidiary of Lieken; (ii) 4.6% of Finbakery Netherlands BV, a 100% subsidiary of Harry's; (iii) 82.48% of Bakery Equity Luxembourg SA, which in turn owned 44.4% of Finbakery Holding GmbH and Finbakery Netherlands BV; for the total amount disclosed above. In order to finance this operation Barilla Holding used one tranche as prescribed by the syndicated multi-tranche loan;
- discharged two loans totalling Euro 70 million, which the subsidiaries of the Lieken and Harry's groups had secured with a member bank of the Gruppo Banco Popolare;
- resolved the shareholders' agreement with the Gruppo Banco Popolare in relation to the investments in Lieken and Harry's and settled all existing legal disputes regarding the execution and interpretation of the contractual relationship between Barilla Holding Group and the Gruppo Banco Popolare in respect of the investments in Lieken and Harry's.

Reorganisation of the Group structure

As noted in the previous year's director's report, in the course of 2008 the process of simplifying the Group structure commenced and reached an advanced stage of completion. This consisted of setting up the intermediate holding Finba Iniziative Srl, which is to become the sole shareholder of Barilla G. e R. Fratelli SpA, Lieken and Harry's, and is 85% owned by Barilla Holding and 15% owned by Gafina N.V. (previously an indirect minority shareholder of Barilla G. e R. Fratelli Società per Azioni and Lieken and Harry's with holdings of 15.25% and 7.78% respectively). At the end of 2008, following a series of capital contributions and acquisitions and disposals within the Group, Finba Iniziative wholly owned, either directly or indirectly, Barilla G. e R. Fratelli and Harry's; at the same date, Lieken (which in the course of 2008 repurchased the logistics company Logi-K Gmbh from Barilla) was 41.22% owned by Finba Iniziative, with the remaining 51% owned by Barilla and 7.78% by Gafina N.V. This simplification process was finalised in 2009 following Finba's acquisition of the remaining controlling interest in Lieken.

Transactions on the equity of Barilla Holding SpA

In January 2008, Barilla Holding SpA increased its own share capital and share premium account by approximately Euro 506 million in total. This capital increase, which took place through the issue of ordinary shares and in part preference

shares, was fully subscribed by GELP SpA, a wholly owned subsidiary of CO.FI.BA. Srl, the parent company of Barilla Holding SpA, which in 2007 had also subscribed to a Euro 108 million share capital increase. Consequently, in the two year period 2007-2008, GELP SpA subscribed to a total share capital increase of Euro 614 million and the share capital of the company consisted of: 90% ordinary shares (85% of which is owned by CO.FI.BA. Srl and 5% by GELP SpA) and 10% B preference shares held by GELP SpA.
In March 2008 the company paid to CO.FI.BA. Srl an extraordinary dividend of Euro 140 million that was approved on 28 November 2007.
In July 2008 the company distributed using the extraordinary reserve, a total dividend of Euro 44,081,500 that was allocated as follows:
• to 1,310,000 B shares, wholly owned by GELP SpA and with priority earnings rights, a dividend of Euro 19.88 per share for a total of Euro 26,042,800;
• to 11,790,000 ordinary shares, a dividend of Euro 1.53 per share, for a total of Euro 18,038,700, of which Euro 1,002,150 was paid to GELP SpA and Euro 17,036,550 to CO.FI.BA. Srl.

Corporate governance

The corporate governance structure, which is based on the traditional organisation model, consists of the following bodies: the Board of Directors, the Board of Statutory Auditors and the Accounting Control Body. These are supported by the system of internal control, the Code of Ethics and the Organisation Model that complies with Legislative Decree 231/2001 (hereinafter "the Model").

The *Board of Directors* has been vested with the widest powers possible and is responsible for managing the company and assessing the adequacy of the organisation, administration and accounting functions, and the review of the overall operating performance.
In conformance with statutory requirements the Board of Directors consists of a variable number of members ranging from a minimum of three to a maximum of eleven subject to appointment by the annual general meeting of shareholders (AGM). The current Board of Directors comprises six directors whose term of office ends at the next AGM called to approve the 2008 Annual Report.

The Board has set-up an *Executive Committee*, comprising 4 members who have been delegated important strategic and financial management duties of behalf of the company and the Group.

Barilla Holding adopted the Model – which comprises the Code of Ethics – in order to implement the regulations governing corporate administrative responsibility in compliance with Legislative Decree 231/2001 and ensuing amendments.
The Code of Ethics defines a set of principles and values that are the result of a strong, well established corporate culture, which Barilla Holding Group identifies with and requires that the directors, statutory auditors, employees, collaborators, consultants, suppliers and customers adhere to.
The Model was updated in 2008 to reflect changes in regulations and in particular it was amended in order to align it with new legislation on health and safety in the workplace.

In order to evaluate the effective and correct implementation of the Model, the Board of Directors appointed a *Supervisory Body*, which is composed of the head of Group Legal and Corporate Affairs, and an external member who is a self-employed professional and university lecturer. Similar measures have been adopted by Barilla G. e R. Fratelli Società per Azioni, the main Italian subsidiary, and other Italian operating subsidiaries.

The *Board of Statutory Auditors* oversees compliance with the law and the articles of association, compliance with principles of correct administration and in particular, the effectiveness of both the system of internal control, and the organisation, administration and accounting system and its effective performance. This board is not responsible for the control of the accounting records, which was assigned by the shareholders to a firm of independent auditors as further detailed below. The members of the Board of Statutory Auditors are appointed for a three-year term and may be reappointed.

PricewaterhouseCoopers SpA has been engaged to perform the control of the accounting records as required by law, therefore it represents the *Accounting Control Body*; it has also been engaged to audit the consolidated financial statements of Barilla Holding Group and those of the principal Group subsidiaries.

Risk management

Risk management activities are aimed at guaranteeing business continuity, product quality, the integrity and value of the company's assets, safeguarding employees and meeting third party commitments in a professional manner.
For this purpose, besides investing in prevention and automatic safety measures, in the course of 2008 a *Business Continuity Management* (BCM) study commenced in order to evaluate the possible business impact of an interruption in the manufacturing processes, establish Recovery Strategies, define an emergency management model and implement action plans in order to guarantee business continuity. The Business Continuity Management study in 2008 focused on the companies of the Harry's group – France – Russia and Spain while it will be rolled out to the Lieken group in Germany and other group companies in 2009.
With regard to Information Technology risks, the Group has a disaster recovery service in place for the majority of the applications, in particular those critical to operations such as SAP and MatrixOne. The level of service implemented foresees, in the event of a disaster, that systems are rebooted within a maximum of 24 hours and without losing any data already in the system. Trial simulation runs are carried out on a yearly basis in order to verify that the process and the system are working correctly. A similar disaster recovery plan was formulated to access the network of the facilities in Pedrignano (Corporate Headquarters in Parma). Finally, all integrated lines of communication have a back-up.
A detailed analysis of the different types of risk: market (including exchange, interest rate and price risk), credit and liquidity risk is presented in paragraph 7 of the notes to the consolidated financial statements.

Environment and employees

The Group is aware of the need to manage sustainable growth and the impact this may have on the surrounding environment and it has not received fines for environmental damages. With regard to production waste, these are used for zootechnical purposes or are recycled.
No critical accidents took place and no fines regarding health and safety have been issued to the company.
Specifically, the plants of the Barilla G. e R. Fratelli group that are part of the Emissions Trading Scheme are regularly certified. Introduction of the environmental management system is in the final stages in agreement with technical standard ISO 14001, with certification of the factories being carried out by a third party (DNV). All of the Italian factories have been awarded the Integrated Environmental Authorisation in conformance with the European I.P.P.C. regulation (*Integrated Pollution Prevention and Control*) to safeguard the environmental impact of the manufacturing facilities. A

project to implement the Plant Safety Management System, in accordance with standard O.H.S.A.S. 18001 (*Occupational Health and Safety Assessment Series*), throughout all of the plants in the Barilla G. e R. Fratelli group is under way, in order to further guarantee employee safety.
The Lieken group is one of the first in Germany to be certified under IFS5, the new standard on food safety required by the modern trade. This standard relates not only to manufacturing facilities but also their connection with the procedures of the central offices (such as purchasing, planning etc). Moreover, work continued to strengthen technological and processes know-how through the introduction of new technical resources and new management information systems for planning and operating flows (Lieken operates in the production and distribution of fresh products).
With regard to employees, Barilla G. e R. Fratelli defined and launched a series of new projects reaffirming Group values (courage, intellectual curiosity, passion, integrity and trust) and established a new leadership model and how to measure within a management performance program that focuses on the combination of three factors: achieving objectives, individual development plans and recognition of merit. In line with the new organisation structure, the positions within the organisation and the skills profile for each management role have been defined and a new induction and training program for new employees is in the planning stages.
Lieken continues to focus particular effort on the training and development of its human resources, in recognition of which Lieken was awarded the Fair Company certificate in 2008 by an important German magazine. The company management system implemented by the Lieken group, foresees co-management with employee representatives (a dualistic system). The presence of employees on the Surveillance Council has facilitated the group restructuring, also thanks to constructive relationships that work in a climate of collaboration and mutual respect.

Related party transactions

Transactions with other Group companies and related parties are not considered uncharacteristic or unusual as they are carried out in the normal course of business of the Group companies. These transactions take place on an arm's length basis, where possible taking into account market conditions.
The nature of the principal transactions with the above parties and the detailed information required by IAS 24 are disclosed in paragraph 8 of the notes to the consolidated financial statements.

Significant events after the balance sheet date

Knowing the key role that food and nutrition hold, and that will become increasingly more important for future generations Barilla felt it was important to provide a solution to one of the most urgent and important challenges for the worldwide population. Starting with this objective, and the desire to make a significant contribution in improving people's quality of life, a project was launched that was presented to the public in March 2009: the Barilla Centre for Food & Nutrition. This is a new instrument that recognises the transverse nature of food and analyses it across multi-disciplines and considers it from a long-term international aspect. The project involves varied and outstanding skills (the economist Mario Monti, the oncologist Umberto Veronesi, the surgeon Camillo Ricordi, the endocrinologist Gabriele Riccardi, the environmental analyst Barbara Buchner and the sociologist Joseph Sassoon), and aims to gather the best knowledge available worldwide on topics linked to the world of food and nutrition in relation to people, the environment, science and the economy, to analyse it and bring solutions and recommendations to the attention of opinion leaders and decision makers.
The assessment of the Group's operations commenced in 2008, which will result in the publication of Barilla's commitment to sustainability.

Management outlook

In the early months of 2009 the Barilla G. e R. Fratelli group recorded business results that are line with forecast. The budget objectives are challenging and strongly dependent on developments in manufacturing costs and in general to the possible repercussions that times of financial difficulty will have on consumer spending. The Lieken group continues development of the planned projects, recording a fall in sales volumes due to the downturn in the German market.

Annual report

Consolidated financial statements for the year ended 31 December 2008

The annual general meeting of shareholders approved the consolidated financial statements for the year ended 31 December 2008 on 27 April 2009.

Consolidated balance sheet

(Euro thousands)

Assets	**Note**	**31/12/2008**	**31/12/2007**
Current assets			
Cash, bank and postal accounts	6.1	356,908	643,697
Trade receivables	6.2	467,572	614,195
Tax credits	6.3	72,191	109,870
Other receivables due from parent company	6.4	21,673	–
Other receivables	6.5	69,448	57,178
Inventories	6.6	307,564	336,720
Derivative financial instruments	6.23	0	1,369
Financial assets at fair value through profit or loss	6.7	157,600	11,746
Assets held for sale	6.8	8,489	2,988
Total current assets		**1,461,445**	**1,777,763**
Non-current assets			
Property, plant and equipment	6.9	1,353,996	1,532,791
Goodwill	6.10	762,922	819,302
Other intangible assets	6.11	223,635	249,871
Trade and other receivables	6.12	7,905	14,952
Deferred income tax assets	6.13	15,024	9,278
Available-for-sale financial assets	6.14	1,748	9,675
Financial receivables	6.15	21,920	–
Derivative financial instruments	6.23	27	242
Total non-current assets		**2,387,177**	**2,636,111**
Total assets		**3,848,622**	**4,413,874**

(Euro thousands)

Liabilities	Note	31/12/2008	31/12/2007
Current liabilities			
Trade payables	6.16	858,170	891,056
Borrowings	6.17	129,694	487,412
Derivative financial instruments	6.23	1,405	58
Retirement benefit obligations	6.18	6,239	1,521
Current income tax liabilities	6.19	16,781	10,195
Other payables	6.20	270,479	361,019
Provisions for other liabilities and charges	6.21	36,019	58,657
Total current liabilities		**1,318,787**	**1,809,918**
Non-current liabilities			
Borrowings	6.22	1,233,479	1,396,678
Derivative financial instruments	6.23	19,396	40,133
Retirement benefit obligations	6.18	134,999	153,383
Deferred income tax liabilities	6.13	92,177	97,433
Other payables	6.24	5,139	7,755
Provisions for other liabilities and charges	6.21	34,364	24,510
Total non-current liabilities		**1,519,554**	**1,719,892**
Equity			
Share capital		131,000	115,280
Reserves:			
- Currency translation reserve		(46,218)	(13,827)
- Other reserves		626,709	426,625
Profit for the year		78,422	72,508
Capital and reserves attributable to group equity holders	*6.25*	*789,913*	*600,586*
Capital and reserves attributable to minority interest		214,253	283,445
Profit attributable to minority interest		6,115	33
Total minority interest in equity		*220,368*	*283,478*
Total equity		**1,010,281**	**884,064**
Total equity and liabilities		**3,848,622**	**4,413,874**

Consolidated income statement

(Euro thousands)

	Note	Esercizio 2008	Esercizio 2007
Revenue	6.26	4,321,949	3,923,826
Cost of sales	6.27	(2,650,334)	(2,293,393)
Gross profit		**1,671,615**	**1,630,433**
Logistics costs	6.27	(679,526)	(644,921)
Selling costs	6.27	(238,242)	(234,667)
Marketing costs	6.27	(290,020)	(278,399)
Research and development costs	6.27	(24,715)	(34,975)
General and administrative expenses	6.27	(217,303)	(207,760)
Other (income) and expenses	6.28	(3,401)	(20,730)
Operating profit		**218,408**	**208,981**
Finance income		(120,034)	(125,706)
Finance costs		52,163	46,448
Finance costs - net	**6.29**	**(67,871)**	**(79,258)**
Profit before income tax		**150,537**	**129,723**
Income tax expense	6.30	(84,102)	(55,552)
Profit for the year from continuing operations		**66,435**	**74,171**
Profit/(loss) of discontinued operations		**18,102**	**(1,630)**
Profit for the year		**84,537**	**72,541**
Profit for the year attributable to minority interest		**6,115**	**33**
Profit for the year attributable to group equity holders		**78,422**	**72,508**

Income statement of discontinued operations[1]

	2008	2007
Revenue	213,099	321,080
Cost of sales	(211,451)	(313,365)
Recurring operating profit	**1,648**	**7,715**
Finance costs – net	(3,875)	(4,639)
Income tax expense	2,534	(4,706)
Profit/(loss) of discontinued operations	**307**	**(1,630)**
Gain on disposal net of directly attributable costs	19,414	–
Income tax effect	(1,619)	–
Profit/(loss) of discontinued operations	**18,102**	**(1,630)**

[1] Profit for the year from continuing operations in the consolidated income statement does not include the results of businesses disposed of in 2008, which are disclosed separately in the income statement of discontinued operations.

Consolidated cash flow statement

(Euro thousands)

	2008	2007
Profit before income tax	168,639	132,800
Finance costs – net, excluding gains on disposals of equity investments	67,634	83,893
Amortisation and depreciation	207,100	229,794
(Profit)/loss on disposal of property, plant and equipment, intangible and financial assets	(1,930)	(2,530)
Change in trade receivables/payables	84,345	57,525
Change in inventories	14,578	(99,132)
Change in provisions (including employee provisions)	(18,618)	(38,960)
Changes in other assets and liabilities	(27,360)	25,142
Income taxes paid	(18,829)	(43,584)
Foreign exchange (losses) and other minor differences	(7,927)	(607)
Net cash generated from operations (A)	**467,632**	**344,341**
Purchases of property, plant and equipment	(149,006)	(216,690)
Purchases of software	(4,400)	(9,169)
Proceeds from sale of property, plant and equipment	11,660	22,551
Purchases of other intangible assets	(999)	(3,718)
Goodwill purchased	–	(1,300)
Proceeds from sale of investments or businesses	108,311	44,057
Proceeds from capital grants	2,154	2,602
(Purchase)/sale of financial assets at fair value	(145,854)	(11,746)
Acquisition of minority interests	(377,610)	–
Net cash used in investing activities (B)	**(555,744)**	**(173,413)**
Net change in borrowings	(389,982)	466,887
Proceeds from share capital increase	506,315	108,468
Dividends paid	(184,482)	(23,294)
Interest paid	(62,387)	(79,845)
Net cash from/(used in) financing activities (C)	**(130,536)**	**472,216**
Net (decrease)/increase in cash and cash equivalents (A+B+C)	**(218,648)**	**643,144**
Cash and cash equivalents net of bank overdrafts at beginning of the year	(566,156)	76,530
Cash and cash equivalents net of bank overdrafts at end of the year	346,911	566,156
Exchange differences on cash and bank overdrafts	597	458
Net (decrease)/increase in cash and cash equivalents	**(218,648)**	**643,144**
	31/12/2008	**31/12/2007**
Bank balances	356,908	643,697
Bank overdrafts	(9,997)	(77,541)
Total cash and cash equivalents net of bank overdrafts	**346,911**	**566,156**

Cash flows generated from discontinued operations

(Euro thousands)

	2008	2007
Cash flows from operating activities	**44,983**	**8,996**
Cash flows from investing activities	**104,988**	**(20,397)**
Cash flows from financing activities	**66,777**	**(13,063)**

SoRIE - Statement of Recognised Income and Expenses

(Euro thousands)

	Note	2008	2007
Actuarial gains/(losses) on future employee benefits	6.18/6.25	850	10,463
Cash flow hedge reserve	6.25	7,220	13,551
Currency translation adjustment	6.25	(38,843)	(21,332)
Income tax effect	6.13/6.25	(1,848)	(7,829)
Total (losses) recognised directly in equity		**(32,621)**	**(5,147)**
Profit for the year attributable to group equity holders and minority interest		**84,537**	**72,541**
Total recognised profit for the year		**51,916**	**67,394**
Of which:			
Profit/(loss) attributable to minority interest		**486**	**(2,014)**
Profit attributable to group equity holders		**51,430**	**69,408**

Explanatory notes

1. Group structure and business

Barilla Holding Società per Azioni (hereinafter "Barilla Holding"), a company incorporated in Italy with registered offices in Parma (Italy), is the parent company of the Barilla Holding group (hereinafter "the Group"). The Group operates in the manufacture and sale of pasta, sauces, and bakery products, both in Italy and worldwide.
The entire share capital is owned by Guido Maria Barilla e F.lli SapA through its subsidiaries CO.FI.BA. Srl and GELP SpA.
A list of the companies included in the scope of consolidation is provided in Appendix 1.

2. Significant events after the balance sheet date

No significant events took place after the balance sheet date.

3. Declaration of compliance with International Financial Reporting Standards (IFRS)

The consolidated financial statements of the Group have been prepared in accordance with all of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU). IFRS comprises all of the International Financial Reporting Standards, International Accounting Standards (IAS), and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), previously named the Standing Interpretations Committee (SIC).
The Group has consistently applied the accounting policies in the preparation of the comparative information at 31 December 2007 and for the current year ended 31 December 2008. Comparative amounts for 2007 have been reclassified where necessary in order to align them and render them comparable with the amounts disclosed in the consolidated financial statements for the year ended 31 December 2008.
In accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", the 2007 income statement has been reclassified to disclose separately the results of operations disposed of in 2008.

4. Basis of preparation – accounting and valuation policies

In accordance with Regulation 1606 issued by the European Parliament and the European Council in July 2002, the Group's consolidated financial statements (hereinafter "the Financial Statements") have been prepared in accordance with International Financial Reporting Standards (IAS/IFRS) in force at 31 December 2008.
IFRS were adopted recently for the first time in Italy and other countries and a significant number of IFRS has recently been published or amended for which no established practices relating to their interpretation and application exists. Consequently, the Financial Statements have been prepared based on the most recent information and technical guidance available in respect of IFRS. Any new or revised interpretation of industry practice will be reflected in future financial statements in accordance with the relevant accounting standards.
The Financial Statements for the year ended 31 December 2008 have been compared with the prior year financial statements (amounts included in brackets in the notes to the financial statements), and comprise the balance sheet, income statement, cash flow statement and statements of recognised income and expense (SoRIE) and these notes to the con-

solidated financial statements. The income statement has been presented using the classification of expenses by function. The balance sheet has been prepared with separate disclosure of current and non-current assets and liabilities.
Cost of sales includes all production costs of goods sold, comprising raw materials, components, direct and indirect production labour costs (both internal and third party), industrial depreciation and amortisation and all other production expenses.
The cash flow statement has been presented applying the indirect method.

Accounting standards, amendments and interpretations adopted by the Group from 1 January 2008

IFRIC 13 – Customer Loyalty Programmes. This addresses how companies that grant their customers loyalty award credits, should account for their obligation to provide free or discounted goods. Application of this interpretation did not have a material impact on the Financial Statements.

Accounting standards, amendments and interpretations effective from 1 January 2008 but not relevant to the Group

IFRIC 12 – Service Concession Arrangements.
IFRIC 11 – IFRS 2 – Group and treasury share transactions.
Amendments to IAS 39 – Financial instruments: recognition and measurement- and IFRS 7 – Financial Instruments: disclosures.

Recently issued accounting standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group

IFRIC 14 – IAS 19 The Limit on a Defined Benefit Asset and Minimum Funding Requirements.
Amendments to IAS 23 – Borrowing costs.
Amendments to IAS 1 – Presentation of financial statements.
Amendments to IFRS 2 – Share based payments: vesting conditions and cancellations.
Revised IFRS 3 – Business combinations.
IFRS 8 – Operating segments.
Amendment to IAS 27 – Consolidated and separate financial statements.
Amendment to IAS 32 – Financial instruments: Presentation and IAS 1 –Presentation of financial statements: Puttable instruments and obligations arising on liquidation.
IFRIC 16 – Hedges of a net investment in a foreign operation.
Amendment to IAS 39 – Financial instruments: recognition and measurement.
IFRIC 17 – Distribution of non-cash assets to owners.

The Group is evaluating the impact of application of these new standards on future financial statements.
The effective application of the above standards, amendments and interpretations is not expected to have a significant impact.

Accounting and valuation policies

Basis of preparation

The Financial Statements are presented in Euro and all amounts are stated in thousands of Euro (unless otherwise stated). The Financial Statements have been prepared under the historical cost convention, as modified for impairment losses where applicable, with the exception of financial instruments measured at fair value. Uniform accounting policies are adopted by all Group companies. The purchase or sale of financial assets are recognised or derecognised using settlement date accounting.

Estimates and assumptions

Preparation of the Financial Statements requires management to use estimates based on subjective assumptions derived from historical experience that is considered reasonable and realistic in relation to the specific circumstances. These estimates affect the reported amounts of assets and liabilities, revenues and costs and the disclosures relating to contingent assets and liabilities at the balance sheet date.

Estimates and assumptions principally relate to evaluation of the recoverable amount of intangible assets, definition of the useful lives of property, plant and equipment, the recoverability of trade and other receivables and the recognition and measurement of provisions.

Estimates and assumptions are based on the best knowledge available at the date of preparation of the financial statements.

Critical accounting policies

A summary of the accounting policies that require management to exercise more critical judgement in forming estimates, and for which a change in the underlying conditions of the assumptions used could have a significant impact on the Financial Statements, is set out below:

a. Goodwill

The value of goodwill is tested for impairment on an annual basis in order to identify any potential impairment losses (impairment test). This assessment requires goodwill to be allocated to the cash generating units (CGU) and determination of the recoverable amount, representing the higher of fair value and value in use.

Where the recoverable amount of the cash generating units is lower than the carrying amount, comprising allocated goodwill, an impairment loss is recognised. Allocation of goodwill to the CGU's and determination of their value in use requires estimates to be made that are based on subjective assumptions and factors that may change over time with potentially significant effects on the valuations carried out by management.

b. Depreciation

The cost of property, plant and equipment is depreciated systematically over the estimated useful lives of the related assets. The useful life of Group assets is determined by management at the acquisition date; this is based on historical experience for similar assets, market conditions and information regarding future events that could affect the useful life, for example changes in technology. As a result, the effective economic life of an asset may differ from the estimated useful life. The Group reviews changes in technology and business factors on a regular basis in order to update the useful lives. This update may result in a change in the depreciation period and an adjustment to the depreciation charge for future periods.

c. Impairment of property, plant and equipment

The carrying amount of property, plant and equipment is tested for impairment to identify any impairment losses, when there is any indication that the carrying value cannot be recovered through future use.

The identification of any such impairment indicators requires management to carry out subjective valuations based on both internally and externally available information, and subjective assumptions based on historical experience. Moreover, where there is an indication of a potential impairment, this should be determined applying suitable valuation techniques. The proper identification of impairment indicators and the estimates used to determine the recoverable amounts depend on subjective assumptions and factors that may vary over time affecting the valuations and estimates made by management.

d. Deferred income tax

Accounting for deferred income tax assets is based on expectations relating to the generation of future taxable income, and the evaluation of technical and institutional factors relating to the fiscal regime to which the taxes relate (for example: time limits for the recovery of tax losses). The estimate of future taxable income for the purpose of recording deferred tax assets depends on factors and assumptions that may vary over time and could have a significant impact on the valuation of deferred tax assets.

e. Provisions

Provisions are made to cover the potential liability relating to legal and tax risks. The measurement of provisions recognised in the Financial Statements in relation to these risks, represents management's best possible estimate at the balance sheet date. This estimate requires assumptions to be made that depend on factors that may change over time and could therefore have a significant affect on the current estimates made by management in the preparation of the financial statements.

f. Determination of the fair value of financial instruments

The fair value of financial instruments is based on market quotations or, where unavailable, applying suitable valuation techniques that use updated financial variables used by market investors and, where possible, taking into account the prices of recent similar transactions on financial instruments.

Principles of consolidation

The Financial Statements comprise the financial statements of the parent company Barilla Holding, and the subsidiaries in which Barilla Holding holds, either directly or indirectly, a controlling interest. In addition to subsidiaries, the scope of consolidation also includes associates and joint ventures.

Subsidiaries represent those companies over which Barilla Holding exercises control as it has the power, either directly or indirectly, to govern the entity's financial and operating policies so as to obtain benefits from its activities. Generally, subsidiaries are those companies in which Barilla Holding owns more than 50% of the voting rights. The financial statements of the subsidiaries are consolidated on a line-by-line basis from the date on which the parent gains effective control up to the date on which control ceases. The impact of all transactions between the subsidiaries and the Group are eliminated. The reporting date of all Group companies is 31 December.

Investments in joint ventures are consolidated applying the proportional method of consolidation. The effect of intragroup transactions is eliminated to the extent to which they do not relate to third parties.

Foreign currency transactions

All transactions are measured using the currency of the primary economic environment in which each Group company operates (the functional currency). Transactions denominated in currencies different from the functional currency of the Group companies are translated at the rate of exchange prevailing at the date of the transactions. Monetary assets and liabilities are translated using year-end exchange rates and exchange differences are recognised in the income statement. Non-monetary assets and liabilities, which are measured at historical cost and denominated in foreign currency, are converted at the exchange rate prevailing at the dates of the transactions.

Translation of financial statements denominated in foreign currencies

The financial statements of subsidiaries denominated in non-Euro functional currencies, are translated as follows:

- assets and liabilities are translated at the year-end rate;
- revenue and expenses are translated at average exchange rates for the period;
- all resulting translation differences are reported as a separate component of total equity.

On disposal of those entities that gave rise to exchange differences, the cumulative amount of exchange differences deferred in a separate component of equity are recycled to the income statement.

Intangible assets

Intangible assets with a finite useful life are valued at cost, net of amortisation and impairment losses, while those with an indefinite useful life are reviewed annually for impairment. Cost does not include capitalised borrowing costs. Amortisation commences when the asset is available for use.

Goodwill

The positive difference between the purchase price and the Group's share of the fair value of assets, liabilities and contingent liabilities at the date of acquisition is recorded as goodwill and is classified as an intangible asset with an indefinite useful life.
Goodwill is not amortised but is subjected to an annual impairment test. For the purpose of this assessment, goodwill is allocated to the cash generating units ("CGU"). Goodwill impairment losses may not be reversed.

Trademarks and licences

Trademarks and licences are valued at cost less amortisation and impairment losses. Trademarks are amortised over their useful life while licences are amortised over the lesser of the contract period and their useful life.

Software

The cost of software licences, including other incremental costs, is capitalised and recorded in the Financial Statements net of amortisation and impairment losses.

Research and development costs

The research costs relating to new products and/or processes are expensed as incurred. Given the nature of the Group's business, no development costs qualifying for capitalisation are incurred.
The useful lives of intangible assets are as follows:

Trademarks	5 to 20 years
Software	3 to 5 years

Property, plant and equipment

Property, plant and equipment are stated at acquisition or production cost, including directly attributable expenses, less accumulated depreciation and accumulated impairment losses, with the exception of land, which is not depreciated but valued at cost less accumulated impairment losses. Cost does not include borrowing costs.
Depreciation is recorded from the month in which the asset is available for use, or that it is able to provide economic benefits.
Depreciation is calculated systematically on a monthly basis applying rates that allocate the depreciable amount of the asset over its useful life or, where the asset is disposed of, up until the last month of use.
The useful lives are as follows:

Category	**Useful life**
Buildings	33 years
Plant and machinery	
- generic	13 years
- specific	10 – 20 years
- highly technological	5 – 8 years
Industrial and retail equipment:	
- furniture and fittings	8 years
- electronic machinery	3.5 years
Motor vehicles	5 years
Other equipment	2.5 years

Government grants relating to property, plant and equipment are recorded as a reduction in the value of the related asset and are recognised as income over the depreciation period.

Leasehold improvements are classified in property, plant and equipment in line with the nature of the cost incurred. The depreciation period is the lower of the residual useful life of the asset and the residual period of the lease contract. Spare parts that are significant in value are capitalised and depreciated over the useful life of the asset to which they relate; the cost of other spare parts is expensed in the income statement as incurred.

Leasing

Property, plant and machinery acquired under finance leases, whereby all of the risks and rewards relating to the assets are transferred to the Group, are substantially recognised as Group asset at current value or, where lower, at the current value of the minimum payment lease obligations, including any amounts to be paid on redemption. The corresponding liability due to the lessor is classified in financial payables. The assets are depreciated applying the rates presented above in respect of "Property, plant and equipment", except where the lease term is lower than the estimated useful life and it is not reasonably certain that ownership of the leased asset will be transferred on maturity of the contract; in this case the depreciation period corresponds to the lease term.
Lease contracts in which the lessor substantially maintains the risks and rewards arising from ownership of the assets are classified as operating leases. The costs incurred in respect of operating leases are charged to the income statement on an accrual basis over the term of the lease contract.

Impairment of property, plant and equipment and intangible assets

In the presence of specific indicators that an asset may be impaired, an impairment test should be carried out on property, plant and equipment and intangible assets.
The impairment test consists in the measurement of the recoverable value of the assets and comparison with the related carrying amount.
If the recoverable amount of an asset is lower than its carrying amount, the latter should be reduced to the recoverable amount. This reduction represents an impairment loss and should be recognised as an expense in the income statement.
With regard to assets that are not amortised, property, plant and equipment that are no longer used and intangible assets and property, plant and equipment not yet available for use, the impairment test is carried out on an annual basis, irrespective of whether specific indicators exist.
During the year, the Group assesses whether there is any indication that property, plant and equipment and intangible assets with a finite useful life may be impaired. For this purpose both internal and external sources of information are taken into consideration. With regard to internal sources the following indicators are considered: obsolescence or physical deterioration of the asset, significant adverse changes in the extent to which an asset is used and deterioration in the expected level of the asset's performance. With regard to external sources these include: performance of the market price of the asset, significant adverse changes in the technological, market, and legal environment, the trend in market rates of return and the discount rate used in valuing investments.
The recoverable value of an asset is defined as the higher of the fair value less costs to sell and value in use. The value in use is determined as the current value of expected future cash flows calculated applying a discount rate that reflects the current market valuation of the time value of money and the risks inherent in the asset. Where it is not possible to estimate the recoverable value of a single asset, the Group estimates the recoverable value of the cash generating unit or group of cash generating units to which it belongs. Where the conditions that led to the reduction in value no longer exist, the carrying value of the asset or the cash generating unit is restated to the new estimated recoverable value, which may not exceed the carrying value that would have been recognised, had the original impairment not incurred. This restatement is recorded in the income statement.
Purchased goodwill that is allocated to units or groups of cash generating units during the year is subjected to an impairment test prior to the end of the financial period in which the purchase and allocation took place.

In order to assess its recoverability, the goodwill is allocated from the acquisition date to each of the CGU's or groups of CGU's that are expected to benefit from the acquisition.
Where the carrying value of the CGU (or groups of CGU's) is higher than the respective recoverable amount, an impairment loss is recognised as an expense in the income statement.
The impairment loss is initially recorded as a reduction in the carrying amount of the goodwill allocated to the CGU (or group of CGU's) and secondly to other assets in the CGU on a pro-rata basis considering the relative carrying amount of each asset in the CGU up to the recoverable amount of individual assets with a finite useful life.
The future cash flows derive from business plans approved by the board of directors (or a similar body), which normally cover a period not exceeding five years. The long-term growth rate used for the purpose of estimating the terminal value of the CGU (or group of CGU's) does not generally exceed the average long-term growth rate for the industry, the country or the market in which the CGU (or group of CGU's) operates.
The future cash flows are estimated with reference to current conditions of the CGU's and do not consider benefits that may arise from future restructuring to which the company is not yet committed, or future investments intended to improve or enhance the performance of the CGU.
The Group has identified the cash generating units at production line and store level.
For the purpose of the impairment test, goodwill is allocated to groups of CGU's, which generally represent the business lines.

Amortised cost method of measuring financial assets and liabilities

The amortised cost method requires the calculation of the effective interest rate at the time the transaction is entered into. The effective interest rate is the rate that exactly discounts the future cash flows to the net carrying amount at initial recognition.
Any changes in future cash flows, if not attributable to changes in market conditions, result in the remeasurement of the carrying value of financial assets and liabilities with a corresponding entry to the income statement.

Financial assets

On initial recognition, financial assets are measured at fair value and designated in one of the following categories depending on their nature and the purpose for which they were acquired:
(a) financial assets "at fair value through profit or loss";
(b) loans and receivables;
(c) available-for-sale financial assets.
The purchase and sale of financial assets are recognised when the entity becomes party to the contractual provisions of the instrument. They are derecognised when the contractual rights to the financial asset have expired or the Group has substantially transferred all of the risks and rewards relating to the transferred asset.

Following initial recognition in the Financial Statements, financial assets are measured as follows:

(a) At fair value through profit or loss

This includes financial assets, represented by equity securities, acquired principally with the intention of short-term profit making. These securities are classified in current assets.
The financial assets in this category are initially measured at fair value and the directly attributable costs are expensed in the income statement; all of the financial assets that are not included in this category are initially measured at fair value including costs directly attributable to acquisition.
Gains or losses relating to changes in the fair value of the financial assets at fair value through profit or loss are included in the income statement within finance income/costs in the period in which they are incurred.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payment terms, principally trade receivables, which are not quoted in an active market. Trade receivables and loans are included in current assets, with the exception of those that mature more than twelve months after the balance sheet date, which are classified as non-current assets.

These assets are initially measured at fair value and are subsequently measured at amortised cost based on the effective interest rate, net of any impairment losses. Impairment losses on financial assets are recognised in the financial statements where there is objective evidence that the Group will not be able to recover the amount due from the counterparty based on contractual conditions. The objective evidence that a financial asset or group of financial assets has incurred an impairment loss includes observable data that comes to the attention of the Group regarding the following loss events:

(a) significant financial difficulty of the issuer or obligor;

(b) the disappearance of an active market for the asset because of financial difficulties;

(c) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

Trade receivables due in less than one year, are measured at fair value, which generally approximates the face value. Securitised or factored receivables, either with or without recourse, which do not meet all of the conditions that permit derecognition from the Financial Statements, are maintained in the balance sheet; a corresponding financial liability is recognised as “Borrowings”.

Receivables that are sold and meet all of the derecognition criteria for financial assets, are removed from the balance sheet at the time of sale. Gains or losses arising from the sale of these assets are recognised when the assets are derecognised from the balance sheet.

(c) Available-for-sale financial assets

This heading includes equity securities and other debt securities not held-for-trading. These are classified as non-current assets where management does not intend to sell the assets within 12 months of the balance sheet date. These are measured at fair value with any changes in fair value recorded in a separate heading in equity. The recognition of “gains or losses relating to changes in the fair value of financial assets” only occurs when the financial asset is sold or otherwise disposed of.

The fair value of quoted financial instruments is based on the current offer price. Where there is no active market for a financial asset (or the security is not quoted), the Group determines the fair value using valuation techniques used for similar instruments, analyses based on cash flows or pricing models using market indicators.

In determining the valuation, the Group favours the use of market information over internal information that is specific to the Group’s business.

The Group assesses at each balance sheet date whether objective evidence exists that the financial assets have incurred an impairment loss. With regard to equity investments classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of an investment below its cost is considered an impairment indicator. Where this evidence exists for available-for-sale financial assets, the cumulative loss – determined as the difference between the acquisition cost and the fair value at the balance sheet date less any impairment loss on that financial asset previously recognised in profit or loss – is recycled from equity and recognised in profit or loss.

The restatement of the value of financial assets represented by capital instruments, for which an impairment loss was recognised in the income statement, is recorded directly in equity.

Any dividends relating to equity investments included in available-for-sale financial assets are included as dividend income in the income statement under the heading “Dividends” only when the Group has the right to receive this payment.

Financial liabilities

Financial liabilities are initially recorded at fair value adjusted for transaction costs, and subsequently are measured at amortised cost applying the effective interest rate. The difference between amortised cost and the amount to be repaid is recognised in the income statement over the term of the liability. Financial liabilities are classified as current liabilities except where the Group, at the balance sheet date, has an unconditional right to extend the maturity of the loan to at least more than twelve months after the balance sheet date. Trade and other payables with normal trading terms, generally less than one year, are recorded at fair value, which normally approximates the nominal value.

Inventories

Inventories are stated at the lower of cost, measured applying the FIFO (first in – first out) method, and net realisable value.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank and post office deposits and short-term highly liquid investments that are readily convertible to cash (three months or less from the date of acquisition), which are measured at nominal value as they are not subject to significant fluctuations in value.

Employee benefits

(a) Pension funds

Group companies operate both defined contribution and defined benefit plans.
A defined contribution plan is a plan where the Group pays fixed contributions to a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee services in the current and prior periods. With regard to defined contribution plans, the Group pays contributions, either voluntary or specified in the plan rules, to public and private insurance pension funds. Contributions are recognised as payroll costs applying the accrual basis.
The defined benefit obligation recorded in the Financial Statements corresponds to the present value of the obligation at the balance sheet date, less the fair value of any plan assets. The defined benefit obligations are determined on an annual basis by an independent actuary using the projected unit credit method. The present value of the defined benefit plan is determined discounting future cash flows by a rate equal to that of high-quality corporate bonds of equivalent currency and term to the benefit obligations. Actuarial gains and losses arising on the above adjustments and changes in the actuarial assumptions are reflected in equity when they arise.

(b) Termination benefits

Termination benefits are those payable on termination of an employment before the normal retirement date, or when an employee accepts voluntary redundancy. The Group recognises termination benefits when a demonstrable commitment exists that is governed by a detailed formal plan specifying details of the employment termination, or when payment of the benefit is the result of an offer made to encourage voluntary redundancy. Termination benefits are discounted when the effect of the time value of money is material.

Provisions for other liabilities and charges

Provisions are recorded to cover the Group's legal, contractual or constructive obligations that derive from a past event. A provision is recognised where it is probable that an outflow of resources will be required and a reliable estimate of the amount may be made. Where it is estimated that these obligations will arise more than twelve months after the balance sheet date and that they will have a material impact on the financial statements, they are recorded at present value applying a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. Any adjustment to the estimated provision is recognised in the income statement in the period in which the adjustment occurred. Where discounting is used, any increase in the provision to reflect the passage of time and the impact of changes in the discount rate are recognised as borrowing costs.
Restructuring provisions are recognised when there is a constructive obligation, which takes place when the Group has a detailed formal plan and has informed those affected by the plan or when the Group has announced the plan in sufficient detail to raise valid expectation in those affected by the plan that the restructuring will be carried out.
Provisions for tax risks are recognised following assessments notified to the Group but not yet settled at the balance sheet date.

Derivative financial instruments

Accounting for derivative financial instruments

Derivative financial instruments are measured at fair value, with any difference charged to profit or loss, with the exception of cash flow hedges, where gains or losses are recognised in a separate component of equity.

Derivatives that qualify for hedge accounting

In all cases where derivatives are designated as hedging instruments, the Group formally documents, from inception of the hedge, the relationship between the hedging instrument and the related hedged item or transaction, the risk management objective and the hedging strategy adopted.
The Group also documents the hedging instrument's effectiveness to compensate changes attributable to the hedged risk based on changes in the fair value of the hedging instruments compared to changes in the fair value of the hedged item. This assessment is carried out at inception and on a continuous basis throughout the life of the hedge.

Categories of derivatives

Derivatives are categorised as follows:
(i) Cash flow hedge: if the hedge is designated to cover the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, the gains or losses on the effective portion of the hedging instrument are recognised in a separate component of equity; the ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement under the heading finance income/costs.
The amounts recognised directly to equity are recycled to the income statement in the period in which the hedged item affects profit or loss.
When a hedging instrument reaches maturity or is sold, or no longer meets the conditions required to be classified as a hedge, the related fair value adjustments accumulated in equity will be retained in equity until the hedged item affects profit or loss. If the forecast transaction that was subject to the hedge is no longer expected to affect the income statement, the fair value adjustments accumulated in equity are immediately recognised in the income statement.
(ii) Derivative financial instruments at fair value through profit or loss that are not designated as hedges are classified as current or non-current assets or liabilities based on their contractual maturity.
The gain or loss arising on changes in the fair value of these instruments is recognised in the income statement under the heading finance income/costs.

Determination of the fair value of a hedging instrument

The fair value of an interest rate swap is determined based on the present value of the expected future cash flows. The fair value of forward foreign exchange contracts is determined using the forward rate at the balance sheet date.
The fair value of other hedging instruments quoted on an active market is based on the market prices prevailing at the balance sheet date. The fair value of instruments that are not quoted on an active market is determined using valuation techniques, based on a series of methods and assumptions, and market information at the balance sheet date.

Non-current assets and liabilities held for sale and discontinued operations

A non-current asset, or group of non-current assets and liabilities, is classified as held for sale when the carrying amount is to be recovered primarily from a sale transaction rather than through continuing use. The assets (or groups of assets) held for sale are measured at the lower of their carrying amount and their fair value, less estimated costs to sell.
The results and the carrying amount of a component of an entity that represents a separate major line of business or geographical area of operations are classified separately in the income statement and in the balance sheet at the time of the sale or when they meet the conditions to be classified as held for sale or discontinued.

Total equity

Costs directly attributable to share capital increases are recorded as a deduction from total equity.

Revenue recognition

Revenue is recognised at the fair value of the amount received for the sale of products or services, net of returns or discounts.

Sale of products

Revenue from product sales is recognised when all of the following conditions are met, which normally takes place on delivery to the customer:
- the significant risks and rewards arising from ownership of the goods are transferred to the buyer;
- effective control over the goods ceases;
- the amount of revenue can be reliably measured;
- 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 transaction can be reliably measured.

Finance income

Interest is recorded on an accruals basis and calculated applying the effective interest rate.

Dividends

Dividends are recognised when the right to receipt of the dividend is established.

Government grants

Revenue based government grants are recognised in the income statement when the right to receive the payment is established.

Finance income and costs

Finance income and costs comprise interest payable matured on all borrowings, interest income on cash and cash equivalents and similar securities, dividends, foreign exchange gains and losses and the financial impact arising from hedging the exposure to interest rate and foreign exchange risk, which are taken to the income statement.

Taxation

Taxation includes both current and deferred income taxes. Taxation is recognised in the income statement with the exception of transactions that are taken directly to equity, in which case the tax effect is also taken to equity. Current income taxes are calculated based on the estimate which the Group expects to pay applying enacted tax rates, or those substantively enacted, at the balance sheet date in each of the relevant tax jurisdictions.
Deferred income tax assets and liabilities are determined applying the liability method, whereby all of the temporary differences between the tax bases of assets and liabilities and the carrying amounts at the balance sheet date, except for goodwill, are calculated. Deferred income tax assets and liabilities are measured using the tax rates that will be applicable at the time when the asset is expected to be realised or the liability is expected to be settled, based on tax rates that have been enacted by the balance sheet date. Income taxes arising on the distribution of dividends are recognised on distribution.
For the purpose of recognising deferred tax assets, the Group assesses the likelihood that sufficient future taxable income will be available to recover these assets. Tax assets and liabilities, both current and deferred, may only be offset where the amounts relate to the same tax jurisdiction, where the reversal period is the same and there is a legally enforceable right to offset the recognised amounts.

Distribution of dividends

Dividends payable to shareholders are recognised as a liability following approval of the distribution by the shareholders' meetings.

Transactions with minority shareholders

The acquisition and disposal of minority shareholdings in companies in which control already exists are classified as transactions with group shareholders. Any differences between the carrying value and the purchase price paid or received are recorded in equity.

5. Change in the scope of consolidation

The scope of consolidation changed during the year as a result of the disposal of Gran Milano SpA, which operates in the ice-cream sector, cakes and festive products sector through the brands Sanson, Mongelo and Tre Marie.
Quality Bakers, a member of the Lieken group operating in the bakery business in The Netherlands, was also sold.
The assets and liabilities of the above companies have been classified as discontinued operations as they represent significant separate business lines. Consequently, the previous year's income statement was reclassified to disclose the operating results of the sold businesses under "Assets held for sale" in the income statement.

6. Notes to the consolidated financial statements

Consolidated balance sheet

6.1 Cash and cash equivalents

Cash and cash equivalents, which amounted to Euro 356,908 (Euro 643,697), comprise bank and post office deposit accounts, cheques and other cash on hand. The decrease is principally due to the use of these funds to acquire the minority interest in Lieken and Harry's and to meet the payment obligations under the agreement with the Banco Popolare group.

The change in cash and cash equivalents recorded during the year is reported in the consolidated cash flow statement.

6.2 Trade receivables

	31/12/2008	31/12/2007
Trade receivables	483,228	633,722
Allowance for doubtful accounts	(15,656)	(19,527)
Total	**467,572**	**614,195**

Trade receivables consist of amounts due from customers in relation to the sale of goods and provision of services, net of allowances for doubtful accounts.

Some Euro 55,962 of the decrease on last year is due to the change in the scope of consolidation, as detailed in paragraph 5.

At 31 December 2008 receivables sold without recourse totalled Euro 196,184 (Euro 50,300); related to trade receivables in respect of which the Group had transferred its exposure deriving from fluctuations in future cash flows. Consequently these receivables were derecognised from the Financial Statements.

The charges to and utilisation of the allowance for doubtful accounts are included in other income and expenses in the income statement under the sub-headings, Impairment and losses on receivables and Utilisation of risk provisions, respectively.

The fair value of trade receivables approximates their carrying value at the balance sheet date. This also represents the maximum exposure to credit risk.

Receivables for which allowances have been recorded may be analysed as follows:

	31/12/2008	31/12/2007
Not yet overdue	107,182	134,095
Less than 3 months	45,152	91,473
Between 3 and 6 months	2,812	3,863
Between 6 and 12 months	6,068	6,950
More than 12 months	10,253	11,928
Total	**171,467**	**248,309**

Trade receivables that were not yet overdue and not impaired at 31 December 2008 amounted to Euro 311,761 (Euro 385,413).

Movements in the allowance for doubtful accounts were as follows:

	31/12/2008	31/12/2007
Opening balance	**19,527**	**21,079**
Charges	8,932	2,754
Utilisation	(8,424)	(3,141)
Released	(874)	(980)
Disposals	(3,346)	(164)
Exchange difference	(159)	(21)
Closing balance	**15,656**	**19,527**

Disposals comprise the balances of GranMilano SpA, which was sold during the year.

6.3 Tax credits

Tax credits represent amounts due from tax authorities in the various countries in which the Group operates and principally relate to income tax instalments and VAT recoverable. These credits may be analysed as follows:

	31/12/2008	31/12/2007
Income tax	14,373	33,057
VAT	57,818	76,786
IRPEF (income tax) on TFR advances	0	27
Total	**72,191**	**109,870**

The fair value of tax credits substantially approximates the carrying value.

6.4 Other receivables due from parent company

The balance of Euro 21,673 (Euro 0) relates to the amount due from the parent company CO.FI.BA. Srl resulting from the Group's participation in the consolidated group tax regime where CO.FI.BA. Srl is the consolidating company.

6.5 Other receivables

Other receivables comprised:

	31/12/2008	31/12/2007
Amounts due from factoring entities	9,445	4,960
Supplier advances	8,375	7,267
Amounts due from employees	4,494	2,456
Amounts due from social security authorities	2,946	3,142
Guarantee deposits	806	862
Amounts due for government grants	764	867
Other receivables	21,646	13,515
Accrued income and prepayments	20,972	24,109
Total	**69,448**	**57,178**

Other receivables have increased due to the insurance payment due for damages incurred following the fire at the Lieken group factory in Brehna (Germany).
Accrued income and prepayments comprise prepaid rent and insurance premiums and accrued interest income.
Other receivables are disclosed net of the allowance for doubtful amounts that amounted to Euro 398 (Euro 2,666).

Movements in the allowance for doubtful accounts may be analysed as follows:

	31/12/2008	31/12/2007
Opening balance	**2,666**	**1,988**
Charges	38	836
Utilisation	(2,306)	(158)
Foreign exchange differences	–	–
Closing balance	**398**	**2,666**

6.6 Inventories

Inventories may be analysed as follows:

	31/12/2008	31/12/2007
Raw materials and semi-finished goods	174,429	189,836
Finished goods	132,230	146,383
Advances	905	501
Total	**307,564**	**336,720**

Movements in the inventory obsolescence may be detailed as follows:

	31/12/2008	31/12/2007
Opening balance	**15,307**	**16,574**
Charges	2,598	3,453
Utilisation	(4,755)	(4,722)
Disposals	(904)	–
Exchange differences	(34)	2
Closing balance	**12,212**	**15,307**

6.7 Financial assets at fair value through profit or loss

These principally relate to AAA rated government bonds with yields ranging between 1.7% and 2.2% that mature in 2009. The increase on the previous year is largely due to the need to invest excess funds generated in 2008 in low risk financial assets. Details of the liquidity risk policy are set out in paragraph 7.b) Credit risk.
The prior year balance related to on-demand bank certificates of deposit denominated in foreign currencies, and temporary monetary investments in mutual and similar funds for a total of Euro 11,746.

6.8 Assets held for sale

The total at 31 December 2008 relates to the property, plant and equipment of the Lieken group that are to be disposed of as part of the restructuring plan that is already under way.

The total may be analysed as follows:

	31/12/2008	31/12/2007
Property, plant and equipment	8,489	2,988
Total	**8,489**	**2,988**

6.9 Property, plant and equipment

The net movement of Euro 178,795 in the net book amounts of property, plant and equipment compared to 31 December 2007, is principally due to additions totalling Euro 149,006, less net disposals of Euro 9,697, the effect of retranslating amounts denominated in foreign currency for Euro 6,191 and the depreciation charge for the year that amounted to Euro 176,058. Furthermore, in the course of the year the total decreased following disposal of GranMilano SpA and the Quality Bakers BV business, both of which are classified under the heading Business disposals.

Mortgages are secured on property, plant and equipment to the value of Euro 158,692 (Euro 185,235).

Movements in property, plant and equipment were as follows:

	Land	Buildings	Plant and machinery	Industrial and retail equipment	Other assets	Assets under construction	Total
Movements during 2007							
Net book amounts at 01/01/2006	**94,211**	**485,857**	**760,060**	**101,375**	**27,259**	**98,248**	**1,567,010**
Capital expenditure	–	–	–	–	–	216,690	216,690
Capitalisations	4,605	54,090	144,567	28,324	10,185	(241,771)	–
Grants received	–	(994)	(1,511)	(97)	–	–	(2,602)
Disposals	(4,466)	(13,876)	(50,932)	(21,304)	(8,086)	(5,448)	(104,112)
Utilisation of accumulated depreciation	2,253	10,747	41,993	21,322	7,773	-	84,088
Depreciation and impairment losses	–	(32,983)	(123,507)	(28,583)	(15,341)	–	(200,414)
Business disposals	(317)	(3,709)	(8,545)	(29)	(11)	(36)	(12,647)
Foreign exchange differences	(561)	(3,582)	(4,953)	(95)	(122)	(2,656)	(11,969)
Reclassified to assets held for sale	(1,006)	(1,802)	623	(1,047)	(1)	(20)	(3,253)
Net book amounts at 31/12/2007	**94,719**	**493,748**	**757,795**	**99,866**	**21,656**	**65,007**	**1,532,791**
Historical cost	94,719	864,597	2,439,337	403,081	148,728	65,007	4,015,469
Accumulated depreciation and impairment losses	–	(370,849)	(1,681,542)	(303,215)	(127,072)	–	(2,482,678)
Movements during 2008							
Capital expenditure	–	–	–	–	–	149,006	149,006
Capitalisations	66	41,512	105,254	9,774	10,720	(167,326)	0
Grants received	–	(598)	(1,542)	–	(14)	–	(2,154)
Disposals	(154)	(7,087)	(58,284)	(14,835)	(17,520)	(3,528)	(101,408)
Utilisation of accumulated depreciation	–	6,794	53,481	14,708	16,728	–	91,711
Depreciation and impairment losses	–	(27,686)	(121,732)	(16,617)	(10,023)	–	(176,058)
Business disposals	(11,812)	(33,690)	(34,701)	(40,506)	(369)	(4,134)	(125,212)
Reclassified to assets held for sale	(8,389)	–	(100)	–	–	–	(8,489)
Foreign exchange differences	264	(1,668)	(4,208)	(309)	(107)	(163)	(6,191)
Net book amounts at 31/12/2008	**74,694**	**471,325**	**695,963**	**52,081**	**21,071**	**38,862**	**1,353,996**
Historical cost	75,841	816,647	2,360,857	230,105	135,904	38,862	3,658,216
Accumulated depreciation and impairment losses	(1,147)	(345,322)	(1,664,894)	(178,024)	(114,833)	–	(2,304,220)

Finance leases

The net book amounts of assets held under finance leases amounted to Euro 26,278 (Euro 44,866) and comprised:

	Land	Buildings	Plant and machinery	Industrial and retail equipment	Other assets	Total
At 31/12/2007	**822**	**21,241**	**2,987**	**1,271**	**18,545**	**44,866**
At 31/12/2008	**784**	**14,551**	**1,224**	**30**	**9,689**	**26,278**

The decrease is principally due to assets for which the purchase option was exercised during the year.
Details of the principal lease contracts outstanding at 31 December 2008 are provided below:
• Harry's France has entered into a number of finance lease contracts with a maximum expiry date of November 2015 that have purchase options at the end of the lease term. The principal contracts relate to property leases which expire in December 2009, May 2011, January and November 2015 for a total net book amount of Euro 15,417.
• Logi-k GmbH has entered into finance lease contracts for goods transport vehicles that mature in November and December 2009 for a total net book amount of Euro 9,133; these contracts include a purchase option at the end of the lease term.
The present value of future lease payments and the related payment period are as follows:

	31/12/2008	31/12/2007
Not later than 1 year	9,345	14,074
Later than 1 year and not later than 2 years	1,564	6,850
Later than 2 years and not later than 3 years	676	4,613
Later than 3 years and not later than 4 years	503	590
Later than 4 years and not later than 5 years	503	440
Later than 5 years	322	1,105
Total present value of future lease payments	**12,913**	**27,672**

The reconciliation between the minimum future lease payments and the present value of the lease payments is as follows:

	31/12/2008	31/12/2007
Total minimum future lease payments	13,545	29,474
Interest	(632)	(1,802)
Present value of lease payments	**12,913**	**27,672**

Operating leases

The minimum future lease payments under operating leases and the related repayment period are as follows:

	31/12/2008	31/12/2007
Not later than one year	69,330	66,187
Later than 1 year and not later than 5 years	175,558	160,155
Later than 5 years	63,218	91,260
Total minimum future lease payments	**308,106**	**317,603**

The principal assets held under operating leases comprise:
• The Kamps Bakery stores in Germany, with total minimum future lease payments of Euro 148,040, of which Euro 36,232 was due not later than 1 year, Euro 86,488 was due later than one year but not later than five years while the remainder of Euro 25,320 was due later than five years.

• Land and buildings in Germany relating to the Group company Lieken Zimmermann GmbH, in respect of which total minimum future lease payments were Euro 11,244, with Euro 2,365 due not later than 1 year, Euro 8,333 due later than one year but not later than five years and the remainder of Euro 546 due later than five years.
• Properties in Italy used as warehouses and depots for the Barilla G. e R. Fratelli group, for which the minimum future lease payments amounted to Euro 107,257. These contracts, entered into by the logistics company Number 1 SpA, have original maturity dates of between 12 and 15 years. The contracts provide for annual indexation (Istat) of the rent due. The contracts are not renewable and do not have purchase options.
• In Italy rent contracts exist in relation to semitrailers used for logistics activities, for which the total minimum future lease payments amounted to Euro 16,165. The contract provides for annual indexation (Istat) of the rent due.
Total operating lease payments recognised in the income statement amounted to Euro 81,404 (Euro 77,687).

6.10 Goodwill

Movements in goodwill were as follows:

	Goodwill
Movements in 2007	
Opening balance at 01/01/2007	829,844
Increases	1,300
Business disposals	(3,780)
Foreign exchange differences	(7,958)
Impairment losses	(104)
Total at 31/12/2007	**819,302**
Of which:	
Historical cost	1,497,944
Accumulated impairment losses at 31/12/2007	(678,642)
Movements in 2008	
Increases	–
Business disposals	(32,414)
Foreign exchange differences	(23,835)
Impairment losses	(131)
Total at 31/12/2008	**762,922**
Of which:	
Historical cost	1,363,713
Accumulated impairment losses at 31/12/2008	(600,791)

The allocation of goodwill by business segment and groups of cash generating units at 31 December 2008, for the purpose of performing impairment tests at is illustrated in the table below:

Business unit – Groups of Cash Generating Units	Amount
Lieken	252,299
Harry's	329,334
Wasa	158,112
Pavesi	21,746
Other minor amounts	1,431
Total	**762,922**

The annual impairment test consists in estimating the recoverable amount of the groups of cash generating units and comparison with the carrying value of the related assets including goodwill. The recoverable amount of the groups of cash generating units was determined based on the value in use, calculated as the present value of expected future cash flows relating to the groups of cash generating units.
The cash flows utilised to determine value in use cover a five year period plus a terminal value.
The plan, including the related key assumptions, is approved by Group management.
The flows deriving from groups of cash generating units at the end of the plan period correspond to the perpetual income based on the last year of the plan, normalised where necessary.

The key assumptions used to discount the future cash flows of the principal groups of cash generating units at 31 December 2008 were as follows:

Business unit – Groups of Cash Generating Units	Discount rate	Growth rate
Lieken	7.5%	0%
Harry's	6.4%	1%
Wasa	6.0%	2%

Based on the above assumptions, the recoverable value is marginally higher than the carrying value of the groups of cash generating units, including the value of goodwill. Consequently no impairment losses were recognised in the financial statements for the year ended 31 December 2008.
The Group performed sensitivity analyses on the principal groups of cash generating units varying the key assumptions. A 1% increase in the discount rate applied to the groups of cash generating units of Lieken would result in a decrease of approximately Euro 85 million in the recoverable value while a 1% fall in the growth rate would reduce the value by approximately Euro 60 million. With regard to the groups of cash generating units of Harry's, a 1% increase in the discount rate would result in a decrease of approximately Euro 100 million in the recoverable value, while a 1% fall in the growth rate would reduce the value by approximately Euro 80 million. A 1% increase in the discount rate would reduce the recoverable value of the groups of cash generating units of Wasa by approximately Euro 40 million, while a 1% fall in the growth rate would reduce the recoverable value by approximately Euro 35 million.
The decrease in goodwill resulting from the change in the scope of consolidation during the year is due to the disposals of GranMilano and Quality Bakers.
The impact of fluctuations in exchange rates on goodwill denominated in foreign currencies is summarised as follows:
• with regard to the Wasa group, denominated in Swedish and Norwegian Krones, the effect of retranslation at 31 December 2008 amounted to negative Euro 19,696;
• with regard to Harry's, denominated in Russian Roubles, the effect of retranslation at 31 December 2008 amounted to negative Euro 3,941.

6.11 Other intangible assets

Other intangible assets consisted of the following:

	Licences and software	Trademarks	Other	Assets under construction	Total
Movements in 2007					
Opening balance at 01/01/2007	23,725	229,306	1,964	11,263	266,258
Acquisitions and capitalisations	12,006	939	289	(73)	13,161
Disposals	(6)	(3)	(2)	(261)	(272)
Foreign exchange differences	157	(165)	9	–	1
Amortisation	(8,338)	(20,693)	(245)	–	(29,276)
Total at 31/12/2007	**27,544**	**209,384**	**2,015**	**10,929**	**249,872**
Of which:					
Historical cost	55,938	442,622	24,278	10,929	533,767
Accumulated amortisation and impairment losses at 31/12/2007	(28,394)	(233,238)	(22,263)	–	(283,895)
Movements in 2008					
Acquisitions and capitalisations	11,541	1,395	171	(7,532)	5,575
Business disposals	(315)	(10)	(106)	–	(431)
Disposals	–	–	(175)	–	(175)
Foreign exchange differences	(72)	(181)	(42)	–	(295)
Amortisation	(10,340)	(20,365)	(198)	(8)	(30,911)
Total at 31/12/2008	**28,358**	**190,223**	**1,665**	**3,389**	**223,635**
Of which:					
Historical cost	64,281	437,666	22,884	3,389	528,220
Accumulated amortisation and impairment losses at 31/12/2008	(35,923)	(247,443)	(21,219)	–	(304,585)

Trademarks principally relate to Pavesi, Harry's and the brands of the Lieken group (Lieken Urkorn and Golden Toast). The trademarks of Barilla G. e R. (Barilla, Mulino Bianco, Alixir) have not been recognised in the Financial Statements as they were developed internally.
Assets under construction principally relate to the acquisition of new "Enterprise Resources Planning" (ERP) software, an accounting, finance, management and control system.
During the financial year, no indications of impairment were identified in respect of other intangible assets.

6.12 Trade and other receivables

Other non-current receivables comprised:

	31/12/2008	31/12/2007
Amounts due from the associate Bart's Retail BV	0	3,815
Guarantee deposits	973	985
Other non-current assets	6,932	10,152
Total	**7,905**	**14,952**

The amounts due from Bart's Retail BV were reclassified in 2008 under the heading Financial receivables, as detailed in note 6.15 below.
The fair value of trade receivables and other receivables approximates the carrying value reported in the financial statements.

6.13 Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are recognised separately in the balance sheet, exclusively in relation to temporary differences between the carrying value of assets and liabilities in the balance sheet and their tax bases. Deferred tax assets on tax losses carried forward are only recognised where it is probable that sufficient future taxable profits will be earned to allow recovery of these assets.

Deferred income taxes have not been recognised on the undistributed earnings of subsidiaries, as the Group is not able to control the timing of these distributions and it is probable that they will not be distributed in the near future.

The composition and movements in deferred income tax assets and liabilities analysed by the balance sheet headings on which they arise are illustrated in the table below:

	At 31/12/2007	Reversals/charges through income statement	Impact on equity	Business disposals	Foreign exchange impact	At 31/12/2008
Property, plant and equipment	(77,847)	(1,661)	–	8,861	167	(70,480)
Leasing	(7,586)	395	–	–	50	(7,141)
Intangible assets	(1,235)	4,245	–	–	43	3,053
Financial assets	(544)	(3,978)	(1,809)	–	6	(6,325)
Inventories	(16,405)	7,652	–	–	103	(8,650)
Spare parts	8,254	(204)	–	–	(1)	8,049
Financial liabilities and derivatives	(7,916)	–	–	–	–	(7,916)
Provisions for other liabilities and charges	10,841	(1,819)	–	(2,197)	365	7,190
Pension funds	(3,931)	791	(39)	563	35	(2,581)
Tax losses carried forward	6,203	(628)	–	–	(637)	4,938
Other	2,011	630	–	(34)	103	2,710
Total	**(88,155)**	**5,423**	**(1,848)**	**7,193**	**234**	**(77,153)**
Deferred income tax assets	**9,278**					**15,024**
Deferred income tax liabilities	**(97,433)**					**(92,177)**
Total	**(88,155)**					**(77,153)**

6.14 Available-for-sale financial assets

Available-for-sale financial assets principally comprise equity investments in which the holding in share capital or voting rights is generally less than 20%, and other non-current financial assets.

These may be detailed as follows:

	31/12/2007	Increases	Decreases	Exchange differences	Impairment losses	31/12/2008
Banco Popolare Società Cooperativa *	1,296	–	(1,296)	–	–	–
Gunnebo AB *	1,105	–	(1,105)	–	–	–
BRW SpA	1,527	–	–	–	(418)	1,109
Bart's Retail B.V.	5,103	–	–	–	(4,603)	500
Other minor amounts	644	–	(126)	–	(378)	140
Total	**9,675**		**(2,527)**		**(5,399)**	**1,749**

* Securities quoted on active markets.

The investments in Banco Popolare Società Cooperativa and Gunnebo were disposed of during the year.
With regard to investments in non-listed companies the fair value may not be reasonably determined, consequently they are recognised at cost less any impairment losses.
The Group does not exercise a significant influence on Bart's Retail B.V. and BRW SpA, despite holding interests of between 20% and 50%.
BRW S.p.A operates in the advertising and communication business, while Bart's Retail B.V. operates in the food industry. The Group does not intend to sell these investments.
Impairment losses were recognised in respect of both of these investments to reflect estimated losses in the carrying value.

6.15 Financial receivables

Financial receivables comprise the amount due in relation to the disposal of Quality Bakers BV, which matures in 2013, and the balance relating to sale in 2006 of Barts BV that matures in 2014 (the latter amount was classified in other non-current receivables in 2007).

6.16 Trade payables

Trade payables, which amounted to Euro 858,170 (Euro 891,056), represent amounts due in relation to the purchase of goods and services. Trade payables are recorded at nominal value, which substantially approximates their fair value. All amounts are payable within one year.
The decrease on the prior year total is principally due to the disposals that took place in 2008.
The total includes Euro 697 (Euro 1,722) due to BRW SpA.
The balance comprises amounts due to co-packers governed by medium/long-term supply contracts that apply market conditions but also establish guaranteed minimums, disclosed in contractual commitments for finished goods purchases.

6.17 Borrowings

Current borrowings comprise amounts due within one year and may be analysed as follows:

	31/12/2008	31/12/2007
Current portion of leasing obligations	50,196	110,875
Current portion of long-term bank loans	77,542	196,179
Current portion of other loans	1,956	180,358
Total borrowings	**129,694**	**487,412**

Bank borrowings include bank overdrafts amounting to Euro 9,997 (Euro 77,541) and the short-term portion of the loans due to leasing companies of the Lieken group that totalled Euro 2,952 (Euro 16,688).
The current portion of long-term bank loans includes a portion of the syndicated loan that will be repaid in July 2009.
The carrying value of short-term borrowings approximates their fair value.
The decrease in total borrowings is due to increased funds resulting from the share capital increase and cash generated during the year.

6.18 Retirement benefit obligations

Retirement benefit obligations comprise amounts paid to employee defined benefit plans, including the staff leaving indemnity fund (TFR), equivalent plans and pension schemes.
Total obligations relating to future benefits payable to employees amounted to Euro 141,238 (Euro 154,904), of which amounts due within one year are Euro 6,239 (Euro 1,521) and due after more than one year are Euro 134,999 (Euro 153,383).
Staff leaving indemnity (TFR) represents the deferred compensation payable by companies operating in Italy to employees on termination of employment, in accordance with article 2120 of the Italian Civil Code.
In recent years, changes to regulations modified the nature of TFR, which previously was considered a defined benefit plan for the purpose of IFRS. This must now be divided (for companies with 50 or more employees) into two parts, amounts matured up to 31 December 2006, which are still classified as a defined benefit plan, and those matured after 1 January 2007, which are classified as a defined contribution plan.
For those companies with less than 50 employees, TFR remains a defined benefit plan and is subjected to actuarial valuation in line with prior policy.
Equivalent plans and pension schemes relate to companies operating in France, Greece, Germany, Sweden, Turkey, Norway, Mexico and Switzerland.

The principal features of a number of the more significant plans are as follows:
• France: "Retirement Indemnity Plan". The plan is based on collective bargaining and confers the right to receive a sum of money on termination of employment, in proportion to the number of years of service, final salary levels and whether termination was voluntary or not. For example, based on the terms of a contract for the commerce sector, an employee with more than 20 years service with a company on voluntary termination of employment has the right to receive three months salary (calculated based on the average earnings or the 12 months prior to leaving), plus 1/5 of this amount for each additional year over 20.
• Greece: "Retirement Indemnity Plan". The plan provides that the employer is required to pay an indemnity where the employee has reached pensionable age or employment is terminated involuntarily.
The indemnity depends on a number of factors including years of service, the equivalent monthly salary in the last year of service (including bonuses) and the reason for termination. A scale of multiples is also defined in order to scale the number of months to be paid in relation to years of service, also taking into consideration the reason for termination (65% of the scale is applied for ordinary retirement and 100% for involuntary retirement). For example, on retirement an employee with ten years service in the company has the right to receive an amount equal to six times 65% of the monthly equivalent of final salary.
• Germany: "Pension Plan". This plan provides for the payment of an ongoing pension and not a one-off lump sum. The plan is based on a pre-determined percentage of annual salary and foresees that payment be made on reaching pensionable age and for invalidity, and may be paid in favour of the spouse.

The retirement benefit obligations are determined applying actuarial calculations carried out by an independent expert or company, and are adjusted for events that require changes to be reflected therein.
The last actuarial valuation was performed at 31 December 2008 using the projected unit credit method, under which the present value of future retirement obligations is determined.

	31/12/2008	31/12/2007
Opening balance	154,904	178,338
Services costs	2,254	(556)
Finance costs	7,768	6,814
Actuarial (gains)/losses	(850)	(10,463)
Exchange differences for the year	(787)	(345)
Benefits paid	(13,436)	(17,994)
Disposals	(8,615)	(890)
Closing balance	**141,238**	**154,904**
Of which:		
Due within one year	**6,239**	**1,521**
Due after one year	**134,999**	**153,383**

Services costs relate to the charges for the year.
Actuarial gains were recorded in 2008, principally as a result of the increased discount rate applied to the various plans.
The decrease compared to 2007 is due to the different underlying financial and actuarial variables.
The adjustments included in Actuarial (gains)/losses are due to the changes in historical assumptions which are summarised below:

Gains/(losses)	31/12/2008	31/12/2007
Historical adjustments to assets	429	(251)
Historical adjustments to liabilities	(3,140)	(1,651)

Disposals comprise the amounts relating to GranMilano and Quality Bakers, while the previous year balance was principally due to the disposal of Gelit.
A portion of the amounts due to employees totalling Euro 30,751 (Euro 37,077) is offset by plan assets of Euro 4,575 (Euro 11,153).

The assumptions adopted in determining retirement benefit obligations may be summarised as follows:

2008	Discount rate	Expected rate of return on plan assets	Estimated salary growth	Inflation rate
Italy	5.85%	na	3.40% - 3.51%	2.25%
Germany	5.85%	4.00%	2.75%	2.25%
France	6.25%	5.00%	2.75%	2.25%
Greece	5.85%	na	4.00%	2.50%
Mexico	8.50%	na	4.25%	3.50%
Norway	3.80%	5.80%	4.00%	2.00%
Sweden	3.70%	na	3.00%	2.00%
Turkey	12.00%	na	5.40%	5.40%
Switzerland	3.00%	3.20%	6.10%	0.75%

2007	Discount rate	Expected rate of return on plan assets	Estimated salary growth	Inflation rate
Italy	5.50%	n.a.	3% - 3.40% - 3.51%	2.00%
Germany	5.50% - 5.40%	3.50% - 4.00%	2.50%	2.00%
France	5.50%	5.00%	2.50%	2.00%
Greece	4.85%	na	4.00%	2.50%
Mexico	8.20%	na	4.25%	3.50%
Norway	4.70%	5.75%	4.50%	2.25%
Sweden	4.40%	na	3.00%	2.00%
Turkey	11.00%	na	5.00%	5.00%
The Netherlands	5.50%	7.65%	3.00%	2.00%

The cost of future employee benefits recognised in the income statement is classified under the following headings:

	31/12/2008	31/12/2007
Cost of sales	5,354	3,336
Logistics costs	466	1,075
Selling costs	1,320	1,288
Marketing costs	436	206
General and administrative expenses, technical and development costs	2,446	353
Total	**10,022**	**6,258**

6.19 Current income tax liabilities

Current income tax liabilities amounted to Euro 16,781 (Euro 10,195) and comprise the provision for current taxes on profit for the year.
With regard to the Italian entities that participate in the consolidated group taxation regime, the current tax liability relates to the balance of IRAP (trade income tax). The IRES (corporation tax) liability was transferred to the parent company CO.FI.BA. Srl under the group taxation regime.

6.20 Other payables

Other payables consisted of the following:

	31/12/2008	31/12/2007
Amounts due to parent companies	55,531	140,078
Amounts due to employees	117,435	134,335
Social security payables	24,147	24,927
Withholding taxes from employees, consultants and freelance workers	14,816	19,716
VAT payable	1,826	4,012
Other taxes	3,926	4,171
Amounts due to customers	8,003	6,138
Other payables	24,946	12,748
Accruals and deferred income	19,849	14,894
Total	**270,479**	**361,019**

Amounts due to parent companies comprise the balances due under the group taxation regime. The previous year balance related to dividends approved but not yet paid as at 31 December 2007, which were subsequently paid on 4 March 2008.

Accruals and deferred income largely relate to accrued interest payable.
The fair value of other payables substantially approximates the carrying value.

6.21 Provisions for other liabilities and charges

The current and non-current portions of provisions for other liabilities and charges may be detailed as follows:

	31/12/2007	Charges	Decreases/ Utilisation/ Reclassification	Present value	Business disposals	Exchange difference	31/12/2008
Employee risk provision	5,428	6,290	(2,679)	–	–	(97)	**8,942**
Restructuring provision	34,146	4,162	(14,161)	(181)	(1,187)	–	**22,779**
Tax risk provision	9,165	433	(4,895)		(269)	(107)	**4,327**
Premium dealing risk	1,634	2,576	(1,631)	–	–	–	**2,579**
Contractual risk provision	17,000	–	–	–	–	–	**17,000**
Commercial risk provision	1,343	–	–	–	(1,343)	–	**0**
Returns and unsold goods provision	5,108	–	(900)	–	(900)	–	**3,308**
Revocatory provision	3,860	200	–	–	–	–	**4,060**
Litigation provision	2,655	1,094	(636)		(213)	(15)	**2,885**
Other provisions	2,828	1,836	(166)		–	5	**4,503**
Total	**83,167**	**16,591**	**(25,068)**	**(181)**	**(3,912)**	**(214)**	**70,383**
Of which:							
Due within one year	**58,657**						36,019
Due after more than one year	**24,510**						34,364

The employee risk provision and the restructuring provision have been recognised in relation to reorganisation programmes that include, inter alia, redundancy incentives and other future employee obligations.
The decrease in the tax risk provision is a result of the provision being used to settle tax assessments.
The contractual risk provision principally relates to unsettled claims against the Group.

6.22 Borrowings

Medium/long-term borrowings may be analysed as follows:

	31/12/2008	31/12/2007
Bonds	249,560	235,426
Bank borrowings and long-term portion of leasing obligations	983,919	1,155,923
Other loans	–	5,329
Total	**1,233,479**	**1,396,678**

Bank borrowings include the medium/long-term portion of loans due to leasing companies of the Lieken group, which amounted to Euro 27,383 (Euro 19,611).
The most significant portion of medium/long-term bank borrowings comprises Euro 951,409 that was drawn down on the new credit facility, represented by a Euro 1,750,000 five-year multi-tranche syndicated loan, which was negotiated with a pool of 18 leading Italian and international banks and matures in 2012. The amount to be repaid in July 2009, which amounts to Euro 58,546, is classified in current borrowings. Interest on the syndicated loan is variable and linked to Euribor (or Libor where drawn down in currencies other than the Euro) plus a spread that depends on the ratio between the Group's net financial position and EBITDA.

Details of the tranches of the syndicated loan (current and non-current portions) are as follows:

Structure	Latest maturity	Total credit facility available	Nominal value of balance drawn down at 31 December 2008	Carrying value (amortised cost)
Term Loan (A1)*	July 2012	600,000	600,000	587,412
Revolving Credit Facility (A2)	July 2012	683,000	0	0
Term Loan (B)	December 2012	467,000	434,000	422,543
Total		**1,750,000**	**1,034,000**	**1,009,955**

* Tranches A1 and A2 have a maximum two year renewal option (exercisable following agreement with the banks); moreover, tranche A1 is repayable at 10% per annum commencing July 2009.

Details of the interest rate risk management policy in relation to the above syndicated loan are provided in note 7.

The maturity dates of medium/long-term borrowings are illustrated in the table below:

	1 to 5 years	Over 5 years	Total
Bonds	183,523	66,037	249,560
Bank borrowings and leasing obligations	960,245	23,675	983,919
Total medium/long-term borrowings	**1,143,768**	**89,712**	**1,233,479**

An analysis of bank borrowings by maturity date and type of interest rate is as follows:

Borrower	Description	Interest rate	At 31/12/08	Maturity
Barilla Holding	Syndicated loan	Variable	1,009,955	2009-2012
Barilla G.e R. Fratelli	Banks	Variable	2,418	2009
Barilla G.e R. Fratelli	Banks- loans secured on property, plant and equipment	Fixed	7,826	2009-2010
Barilla G.e R. Fratelli overseas subsidiaries	Banks	Variable	16,166	2009
Lieken AG	Banks	Variable	1,785	2009
Lieken AG	Banks (leasing vehicles)	Fixed	30,335	1/1/2018 - 1/1/2022
Harry's	Banks	Variable	4,285	2009
Total bank borrowings due within one year and after more than one year			**1,072,770**	

Borrowings due within one year and after more than one year (including derivative financial instruments) are denominated in the following currencies:

Currency	Carrying value 2008	Carrying value 2007
Euro	1,103,800	1,637,505
USD (American Dollar)	277,391	284,281
TRL (Turkish Lira)	1,550	1,898
Other minor currencies	1,233	597
Total borrowings due within one year and after more than one year	**1,383,974**	**1,924,281**

The analysis of borrowings by date of interest rate renegotiation is as follows:

Period	Carrying value 2008	Carrying value 2007
Within 1 year	1,063,917	1,560,104
1 to 5 years	201,581	131,124
Over 5 years	118,476	233,053
Total borrowings due within one year and after more than one year	**1,383,974**	**1,924,281**

The effective interest rates on borrowings amounted to 5.6% (2007 - 5.1%).
The comparison between the carrying value and fair value of borrowings is disclosed in note 7.

Bonds represent notes subscribed to by institutional investors (US Private Placements) in December 2003. The Group has the following bonds outstanding:

	Nominal value in currency (thousands)	Nominal coupon in $	Maturity	Carrying value (amortised cost)	Hedging transaction		Fixed annual rate paid half-yearly
					Effective interest rate in Euro	Nominal value in Euro	
Senior Notes – Tranche A	$ 78,000	4.83%	9 Dec. 2010	55,346	66,724	3.45%	3.55%
Senior Notes – Tranche B	$ 180,000	5.55%	9 Dec. 2013	128,179	153,978	4.15%	4.25%
Senior Notes – Tranche C	$ 92,000	5.69%	9 Dec. 2015	66,035	78,700	4.10%	4.19%
Total notes	$ 350,000			249,560	299,402		

The interest rate and foreign exchange risks relating to the US Private Placement are hedged by Cross Currency and Interest Rate Swaps, details of which are provided in note 7.
The Group has irrevocable credit facilities totalling Euro 1,750,000 that mature in 2012. At 31 December 2008, undrawn credit facilities amounted to Euro 716,000.

Financial covenants and other contractual obligations

The bonds issued and signed borrowing contracts (the "Loans") require compliance with a series of contractual obligations and financial covenants.
The principal covenants, defined in one or more contracts, which are in line with practice in the reference market for similar transactions, are as follows:

Financial covenants

- relationship between net borrowings and EBITDA;
- relationship between EBITDA and net interest on borrowings;
- relationship between borrowings of operating companies plus borrowings secured by real guarantees (except where permitted contractually) and total assets in the Financial Statements.

Other limitations and contractual obligations

- change of control of Barilla Holding SpA and Barilla G. e R. Fratelli;
- obligation not to subordinate borrowings for debt operations ("pari passu") and/or grant pledges in favour of third parties (except where permitted contractually);
- maintenance of fundamental elements of business assets (including trademarks, licences and intellectual property);
- utilisation of gains on disposals, acquisition policies and dividends (except where permitted contractually).

Default events (loss of benefits arising from the terms)

Principal events resulting in default, which are not applied to minor Group companies, are summarised as follows:

- non-payment of amounts due in relation to a loan;
- non-compliance with financial covenants and other material restrictions and contractual obligations;
- cross default (loss of benefits arising from the terms for other loans that exceed certain pre-determined limits);
- insolvency, bankruptcy and other administration procedures;
- significant change in business of the Group.

Where a default event occurs, which is not rectified within contractual time limits, the lenders have the right to request repayment of all or part of sums lent in accordance with the specific loan conditions, together with interest and any other sums due contractually.

No defaults arose either during the year or at the year end.

6.23 Derivative financial instruments

	31/12/2008		31/12/2007	
	Assets	Liabilities	Assets	Liabilities
- Cash flow hedge - Cross currency and interest rate swap	–	19,396	–	40,133
- Held for trading - Interest rate cap	27		242	-
Total non-current portion	27	19,396	242	40,133
- Held for trading -Forward exchange contracts	–	1,070	1,117	58
- Held for trading –Derivatives on commodities	–	335	252	–
Total current share	–	1,405	1,369	58
Total derivative financial instruments	**27**	**20,801**	**1,611**	**40,191**

Commencing 1 January 2006, the Group designated the hedges entered into to cover fluctuations in interest rates and foreign exchange rates in respect of the US Private Placement as cash flow hedges. Movements in the cash flow hedge reserve were as follows:

	31/12/2008		31/12/2007	
	Gross reserve	Tax effect	Gross reserve	Tax effect
Opening balance	**24,561**	**(7,277)**	**11,010**	**(3,633)**
Change in fair value	20,736	(5,928)	(13,960)	4,136
Exchange difference recognised in income statement	(14,005)	4,004	27,999	(8,296)
Ineffective portion recognised in profit or loss	488	(140)	(488)	145
Impact of change in tax rates	–	255	–	371
Closing balance	**31,780**	**(9,086)**	**24,561**	**(7,277)**

The notional value of the Cross Currency and Interest Rate Swap contracts at 31 December 2008 was Euro 299,402, while the fair value was Euro 19,396.

The financial risk management policy is disclosed in note 7.

6.24 Other payables

Other payables largely represent the liability in respect of social contributions.

6.25 Capital and reserves attributable to group equity holders

Share capital

As of 31 December 2008 fully paid share capital consists of 13,100,000 ordinary shares with a nominal value of Euro 10 each, of which 11,790,000 consisted of ordinary shares and 1,310,000 of B shares.

It should be noted that the company does not have holdings in its own shares, either directly or indirectly through its subsidiaries or associates.

On 1 August 2007 the parent company approved a paid share capital increase of Euro 19,650 with a resulting share premium of Euro 595,133, to be carried out through the issue of 1,965,000 shares with a nominal value of Euro 10 each as follows:

- 655,000 ordinary shares with a total nominal value of Euro 6,550 and a share premium of Euro 174,230, corresponding to Euro 266 for each ordinary share.
- 1,310,000 B shares, with a total nominal amount of Euro 13,100 and a share premium of Euro 420,903, a ratio of Euro 321.30 per share.

The B shares enjoy the same voting rights as ordinary shares in the ordinary and extraordinary shareholders' meetings and hold preference rights in the distribution of profits equal to 6% of the nominal value plus related share premium and may not be lower than the dividend assigned to ordinary shares, commencing from the earnings distributions declared after 15 December 2007.

The sole shareholder CO.FI.BA. Srl waived its right to subscribe to the share capital increase, following which on 4 December 2007 the subsidiary GELP SpA subscribed to a part of the increase for 393,000 shares with a value of Euro 3,930, plus a share premium of Euro 104,538 representing a total payment of Euro 108,468. The remaining share capital increase of Euro 15,720 and share premium Euro 490,595 was also subscribed to and paid by GELP SpA on 8 January 2008.

The shareholders approved the distribution of a total dividend of Euro 44,082 on 22 May 2008.

Movements in total equity were as follows:

	31/12/2007	Appro-priation of profit	Trans-lation on fin.stats. in currency	Dividends	Share capital increase	IAS 19	Cash flow hedge	Deferred taxes	Trans.s with minority sharehold.s and disposals	Profit for the year	31/12/08
Share capital	115,280	–	–	–	15,720	–	–	–	–	–	131,000
Translation reserve	(13,827)	–	(32,391)	–	–	–	–	–	–	–	(46,218)
IAS 19	(3,399)	–	232	–	–	726	–	–	1,396	–	(1,045)
Cash flow hedge	24,561	–	–	–	–	–	6,859	–	–	–	31,420
Deferred taxes	(6,780)	–	448	–	–	–	–	(1,751)	(197)	–	(8,280)
Retained earnings	412,243	72,508	(1,134)	(44,082)	490,595	–	–	–	(325,516)	–	604,614
Profit for the year	72,508	(72,508)	–	–	–	–	–	–	–	78,422	78,422
Capital and reserves attributable to group equity holders	**600,586**	**0**	**(32,845)**	**(44,082)**	**506,315**	**726**	**6,859**	**(1,751)**	**(324,317)**	**78,422**	**789,913**
Minority interest in equity	283,445	33	(5,998)	(322)	–	124	361	(97)	(63,293)		214,253
Profit for the year attributable to minority interest	33	(33)	–	–	–	–	–	–	–	6,115	6,115
Total minority interest in equity	**283,478**	**0**	**(5,998)**	**(322)**	**0**	**124**	**361**	**(97)**	**(63,293)**	**6,115**	**220,368**
Total equity	**884,064**	**0**	**(38,843)**	**(44,404)**	**506,315**	**850**	**7,220**	**(1,848)**	**(387,610)**	**84,537**	**1,010,281**

The decrease of Euro 387,610 in capital and reserves attributable to group equity holders recorded in Transactions with minority shareholders and disposals, principally relates to the acquisition of the minority shareholdings under the terms of the agreement with the Banco Popolare group and the corporate reorganisation that commenced last year.

Commitments and guarantees

Contractual commitments at the year end that are not recognised in the Financial Statements amounted to Euro 593,113 (Euro 647,965) that comprise:

- commitments for finished goods purchases, wheat, other raw materials and packaging for Euro 548,480 (Euro 611,131)
- commitments for capital expenditure for Euro 3,067 (Euro 15,006)
- commitments for energy purchases for Euro 41,566 (Euro 21,828).

Contingent liabilities

The Group has contingent liabilities in respect of legal and tax claims arising in the normal course of Group business. It is not anticipated that any material liabilities will arise from contingent liabilities other than those already provided in the Financial Statements.

Consolidated income statement

6.26 Revenue

Revenue may be analysed as follows:

	31/12/2008	31/12/2007
Total sales of finished goods	4,072,501	3,678,593
Sales of by-products	34,177	32,199
Sales of packaging and other materials	33,221	32,410
Revenue from product distribution and franchising services	182,050	180,624
Total	**4,321,949**	**3,923,826**

6.27 Detail of costs by nature

The composition of costs by nature in relation to cost of sales, logistics expenses, selling expenses, marketing expenses, technical and development costs and administrative expenses, is illustrated in the table below:

	31/12/2008	31/12/2007
Purchase of raw materials, semi-finished goods, finished goods, materials and change in inventories	1,814,326	1,467,272
Purchase of other materials	57,818	46,661
Employee costs	786,067	780,551
Depreciation of property, plant and equipment and amortisation of intangible assets	206,969	205,617
Goodwill impairment	131	104
Transport and warehousing services	421,601	416,732
Promotional and advertising services	245,214	250,380
Maintenance costs	57,515	59,625
Services	51,623	50,033
Consultancy costs	40,781	37,244
Third party manufacturing costs	91,596	74,300
Sales commissions	38,989	35,996
Utilities	130,638	120,274
Travel and expenses	20,951	22,642
Property leases, rentals and operating leases	81,404	77,687
Directors' and statutory auditors' emoluments	8,891	11,263
Other	45,626	37,734
Total	**4,100,140**	**3,694,115**

Depreciation on property, plant and equipment and amortisation of intangible assets are classified under the following income statement headings:

	31/12/2008	31/12/2007
Cost of sales	133,406	135,239
Logistics costs	20,274	18,125
Selling costs	9,450	11,130
Marketing costs	144	77
General and administrative expenses, technical and development costs	43,826	41,150
Total	**207,100**	**205,721**

6.28 Other income and expenses

Other income and expenses comprised:

	31/12/2008	31/12/2007
Income and expenses from continuing operations		
Gains/(losses) - net on asset disposals of property, plant and equipment	1,962	2,753
Insurance repayments	12,260	3,211
Net charges to/utilisation of provisions	2,869	1,089
Charge to allowance for doubtful accounts	(8,745)	(4,356)
Property and other taxes	(14,017)	(13,757)
Third party donations on behalf of employees	(1,183)	(890)
Membership fees	(2,057)	(1,721)
Employee incentives	(8,333)	(5,749)
Income/(expenses) relating to other accounting periods	3,721	(2,240)
Net services rendered and other minor amounts	15,063	5,370
Total income/(expenses) from continuing operations	**1,540**	**(16,290)**
Insurance recovery on property, plant and equipment	5,669	–
Net restructuring expenses	(4,910)	(2,291)
Net expenses arising on disposal of investments and businesses	–	(2,149)
Other expenses	(5,700)	–
Total non recurring income and expenses	**(4,941)**	**(4,440)**
Total other income and expenses	**(3,401)**	**(20,730)**

Net restructuring expenses comprise employee costs, impairment of plants and other structural costs in respect of restructuring plans for which implementation has commenced.

Net expenses arising on disposal of investments and businesses comprise the income from the disposal of Gelit SpA, net of the expenses related to the disposal of Fresh Cake A/S.

6.29 Finance costs - net

Finance costs - net consisted of the following:

	31/12/2008	31/12/2007
Net costs relating to the net financial position		
Interest income on bank current accounts	7,367	3,190
Interest income and income on financial operations	123	561
Interest income – discontinued operations	3,071	3,022
Interest expense on short-term bank borrowings	(5,821)	(17,647)
Interest expense on medium/long-term borrowings	(57,803)	(34,089)
Interest expense on bonds	(12,914)	(24,795)
Interest expense on finance leases	(1,053)	(1,755)
Commissions on subscription and draw down of irrevocable credit facilities	(3,575)	(1,393)
Income from securities	751	35
Total net finance costs relating to the net financial position	**(69,854)**	**(72,871)**
Other finance income/(costs)		
Remeasurement of loans	15,639	0
Foreign exchange gains/(losses)	(8,062)	(3,152)
Commissions on undrawn amounts	(1,708)	(2,688)
Other income and costs	1,911	(638)
Gains/(losses) on change in fair value of financial assets	(398)	(251)
Impairment losses on available-for-sale financial assets	(5,399)	0
Other income from investments	–	342
Total other finance income/(costs)	**1,983**	**(6,387)**
Total finance costs - net	**(67,871)**	**(79,258)**

The total does not include the finance costs of discontinued operations amounting to Euro 3,875 (Euro 4,639); the amount relating to the net financial position of these finance costs equals to Euro 3,875 (Euro 4,789). As a result total finance costs relating to the net financial position including those of discontinued operations amounted to Euro 73,729 (Euro 77,660).

The fall in the interest expense on bonds compared to the previous year reflects the repayment of the bonded loan of Euro 300,000 issued by Barilla Finance that matured in December 2007. The interest expense on short-term bank borrowings also fell due to decreased use of this form of lending.

On the other hand, the interest expense on medium/long-term borrowings increased, as the syndicated loan secured in 2007 progressively replaced the above forms of finance.

The increase in Euribor interest rates (a 0.37% average increase on the 3 month rate, due to the monetary policy of the ECB and the difficulties surrounding interbank lending), which represent the base rate of variable rate loans, explains the higher average gross rate paid (5.6% vs. 5.1%), together with the fact that the previous year benefited from the lower rate on the Barilla Finance bonded loan.

The increase in commissions on subscription and draw down of irrevocable credit facilities is principally due to the undrawn portion of the 2007 syndicated loan, which was only applicable for the last five months of 2007.

Remeasurement of loans represents the counterpart in profit or loss of the fall in carrying value of the multi-tranche syndicated loan due to the recalculation of future cash flows arising on variance of the contractual spread implicit in the loan.

Other income and costs comprise interest on extended credit terms granted to customers.

Foreign exchange gains/ (losses) consisted of the following:

	31/12/2008	31/12/2007
Net realised exchange gains/(losses) – commercial and financial	(7,857)	(3,860)
Net unrealised exchange gains/(losses) – commercial and financial	(205)	708
Total net exchange gains/(losses)	**(8,062)**	**(3,152)**

6.30 Income tax expense

The total charge of Euro 84,102 (Euro 55,552) comprises current taxes of Euro 89,525 (Euro 38,539) and deferred income taxes of Euro -5,423 (Euro 17,014).

The reconciliation between the theoretical tax charge and the tax charge in the Financial Statements is provided below. The effective tax rate is 55.9% (42.8%). The increase in the rate is principally due to the fact that no deferred income tax assets were recognised on tax losses incurred during the year by a number of subsidiaries and the decrease in amounts deductible for tax purposes.

	Year ended 31/12/2008	Rate
Profit before income tax	150,537	–
Theoretical tax charge	48,514	32.2%
Unrecognised deferred tax assets	20,822	13.8%
Difference in taxable income for IRAP (trade income tax) purposes	9,784	6.5%
Net non deductible expenses/(income) (not subject to tax)	8,886	5.9%
Use of deferred tax assets not recognised in prior periods and remeasurement of deferred taxes	(3,904)	(2.6%)
Effective tax charge	84,102	55.9%

The higher effective tax charge compared to the theoretical amount, calculated as the weighted average of the tax rates in the countries in which the Group operates, is largely due to the fact that deferred income tax assets were not recognised on tax losses incurred by a number of subsidiaries and costs that are not deductible for the purposes of IRAP (trade income tax).

The nominal tax rates in the countries in which the principal Group companies operate are as follows:

Europe	Rate	North America	Rate
Italy	31.40%	USA	40.00%
Germany	29.83%		
Sweden	28.00%	**Other**	
France	34.43%	Russia	24.00%
Austria	25.00%	Brazil	34.00%
Turkey	20.00%	Mexico	28.00%
Greece	25.00%	Australia	30.00%

Tax losses carried forward and unrecognised deferred income tax assets are summarised as follows:

(Euro thousands)

Company	Tax losses	Period for which losses may be carried forward	Rate %	Recognised deferred income tax	Unrecognised assets deferred income tax assets	Total
Academia Barilla	15,017	Unlimited	27.50%	–	4,130	4,130
Barilla America	132,553	20 years	35.00%	–	46,393	46,393
Barilla Australia	8,868	Unlimited	30.00%	–	2,660	2,660
Barilla Do Brazil	2,213	Unlimited	34.00%	405	347	752
Filiz Gilda	5,785	5 years	20.00%	–	1,157	1,157
Wasa Poland	3,124	5 years	19.00%	215	379	594
Wasa Sweden	27,859	Unlimited	28.00%	3,418	4,382	7,801
Harry's Management Services	4,406	Unlimited	28.00%	–	1,234	1,234
Harry's Denmark	3,167	Unlimited	25.00%	–	792	792
Harry's Cis Russia	20,496	10 years	24.00%	–	4,919	4,919
La Bella Easo	5,820	8 years	30.00%	–	1,746	1,746
Finba Luxembourg	637,194	Unlimited	29.63%	–	188,801	188,801
Finba Food International	8,436	Unlimited	25.50%	900	1,251	2,151
Quality Bakers NV	3,750	9 years	25.50%	–	956	956
Finbakery NL	11,680	Unlimited	25.50%	–	2,978	2,978
Total	**890,368**			**4,938**	**262,126**	**267,064**

The decrease in unrecognised deferred income tax assets compared to the previous year (Euro 320,070) is principally due to the cancellation, in accordance with German tax laws, of the tax losses relating to the subsidiaries of the Lieken group following the change in company ownership.

7. Financial instruments and net financial position

Risk management policies

The Group's activities expose it to a variety of financial risks, among which: market risks (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.
As part of its risk management policy and in order to minimise the impact of these market risks, the Group also uses hedging instruments (no speculative instruments are used or held). The Group manages almost all hedging transactions centrally. Guidelines have been issued that govern risk management and procedures have been introduced to control all transactions relating to derivative instruments.

(a) Market risk

(i) Interest rate risk

The exposure to market risk arising from changes in rates is principally linked to changes in Euro interest rates, which represents the currency in which almost all Group borrowings are denominated. Group policy is to maintain a balance between the fixed and variable rate exposure.

At 31 December 2008 approximately 39% (36%) of gross indebtedness was denominated, either directly or through specific derivative financial instruments, at fixed or capped rates.
The Group analyses its interest rate exposure on a dynamic basis. In particular, the Group simulates its financing requirements and estimated cash flows applying varying assumptions based on economic expectations, existing positions and potential renewals, alternative financing, hedging policy and potential refinancing.

Sensitivity analysis
The potential post-tax effects on the income statement and total equity of a 0.5 percentage point change in interest rates with all other conditions remaining equal, applied to the Group's variable rate borrowings at 31 December would have amounted to:

Income/charge – (cost/increase)	2008		2007	
	+0.5%	–0.5%	+0.5%	–0.5%
Post tax impact on income statement	(1,644)	1,660	(2,402)	2,558
Post tax impact on total equity*	179	(183)	618	(640)

* The impact on total equity does not include the profit for the year.

The tax effects were calculated applying the Group's effective tax rate at 31 December 2008 and 2007.

(ii) Foreign exchange risk
As the Group is an international business, it is exposed to the risk that exchange rate fluctuations have on its assets, liabilities and cash flows generated outside the Euro area. In general the Group is not heavily exposed to foreign exchange risk: the risk that arises in the normal course of business is managed through a policy of compensating assets and liabilities, using where necessary derivative contracts (principally forward foreign exchange contracts).

Sensitivity analysis
The analyses included receivables and payables denominated in foreign currencies and derivative financial instruments. At 31 December 2008 and 2007 the potential post-tax effects on the income statement of a strengthening/devaluation of the Euro against the other foreign currencies, with all other conditions remaining equal, would have amounted to:

Income/charge – (cost/increase)	2008		2007	
	+10%	-10%	+10%	-10%
Post-tax impact (income statement and total equity)	1,755	(1,383)	(1,114)	1,639

(iii) Price risk
The Group manages the mitigation of risks relating to trends in the prices of commodities used in the production process mainly through medium-term supplier purchasing contracts, using also to a limited extent derivative contracts on wheat.
The financial impact of these contracts is not material.

(b) Credit risk

Credit risk represents the risk that one of the parties to a transaction does not fulfil the financial obligations undertaken. This risk relates to outstanding trade receivables, securities and cash and cash equivalents, and operations with banks and other financial institutions comprising: deposits and other transactions, derivative instruments and the ability to meet the covenants on the irrevocable credit facilities.
The Group's retail counterparties are concentrated in the modern trade channel.
The Group periodically assesses the credit quality of its counterparties and utilises credit limits that are regularly monitored.
Insurance policies have been entered into on a portion of commercial receivables in order to cover losses arising from non-recovery.
With regard to credit risk on bank deposits and the investments in bonds, the Group has established limits for each bank (that evolves continuously depending on the rating, the level of Credit Default Swaps and market information). Other financial assets principally relate to investments in short-term Euro government bonds with an AAA or similar rating.

(c) Liquidity risk

The Group's policy is to render liquidity risk reasonably remote. This is achieved through the constant availability of funding through undrawn irrevocable credit facilities, which allows reasonably foreseeable future financial commitments to be met, also taking into account the Group's significant cash flows.
At 31 December 2008, the Group held undrawn credit facilities maturing in 2012 of approximately Euro 716,000 in addition to cash and cash equivalents of Euro 356,908.

An analysis of financial liabilities by maturity is provided in the table below. The maturity dates were based on the period between the balance sheet date and the contractual maturity of the obligations. The amounts in the table represent the undiscounted cash flows including interest estimated applying year-end exchange rates.

	Less than 1 year	1 to 5 years	Over 5 years	Total
At 31 December 2008				
Borrowings with banks, other lenders and finance leases	177,228	1,328,564	108,828	1,614,621
Derivative financial instruments through profit or loss	1,405	–	–	1,405
Trade and other payables	1,145,430	5,139	–	1,150,569
Total	**1,324,063**	**1,333,703**	**108,828**	**2,766,595**

	Less than 1 year	1 to 5 years	Over 5 years	Total
At 31 December 2007				
Borrowings with banks, other lenders and finance leases	649,566	1379,785	268,236	2,297,588
Derivative financial instruments through profit or loss	58	–	–	58
Trade and other payables	1,262,270	7,755	–	1,270,025
Total	**1,911,894**	**1,387,540**	**268,236**	**3,567,671**

Categories of financial instruments

In order to provide full financial risk disclosures, the reconciliation between the categories of financial assets and liabilities as reported in the Group balance sheet and the categories of financial assets and liabilities identified in accordance with IFRS7 is presented below:

31/12/2008	Financial assets at fair value through profit	Receivables and financial receivables	Available-for-sale or loss financial assets	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Hedging derivatives	Fair value
Available-for-sale financial assets not quoted on an active market	–	–	1,749	–	–	–	n.a.
Derivatives (assets)	27	–	–	–	–	–	27
Securities held for trading	157,600	–	–	–	–	–	157,600
Trade and other receivables	–	638,789	–	–	–	–	638,789
Cash and cash equivalents	–	356,908	–	–	–	–	356,908
Borrowings with banks and other lenders	–	–	–	–	1,363,173	–	1,419,474
Trade payables	–	–	–	–	858,170	–	858,170
Other payables	–	–	–	–	292,399	–	292,399
Derivatives (liabilities)	–	–	–	1,405	–	19,396	20,801
Total	**157,627**	**995,697**	**1,749**	**1,405**	**2,513,742**	**19,396**	

31/12/2007	Financial assets at fair value through profit	Receivables and financial receivables	Available-for-sale or loss financial assets	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Hedging derivatives	Fair value
Available-for-sale financial assets quoted on an active market	–	–	2,401	–	–	–	2,401
Available-for-sale financial assets not quoted on an active market	–	–	7,274	–	–	–	n.a.
Derivatives (assets)	1,611	–	–	–	–	–	1,611
Securities held for trading	11,746	–	–	–	–	–	11,746
Trade and other receivables	–	796,195	–	–	–	–	796,195
Cash and cash equivalents	–	643,697	–	–	–	–	643,697
Borrowings with banks and other lenders	–	–	–	–	1,884,090	–	1,902,601
Trade payables	–	–	–	–	891,056	–	891,056
Other payables	–	–	–	–	378,969	–	378,969
Derivatives (liabilities)	–	–	–	58	–	40,133	40,191
Total	**13,357**	**1,439,892**	**9,675**	**58**	**3,154,115**	**40,133**	

The market value of borrowings with banks and other financial institutions was determined as follows:

• with regard to the variable rate syndicated loan, considering the same credit rating, the nominal repayment value was used, as the adjustment of future lending rates in line with Euribor determined by the markets ensures the substantial alignment in values;

• with regard to the US dollar fixed rate US Private Placement, the net present value of future coupon and capital flows, calculated using the current market IRS rate increased by the spread between coupons and the IRS rate at the time of issuance, with all amounts converted to Euro at the current exchange rate;

• for all other borrowings, given the low value and the fact that these largely relate to short-term and/or variable rate instruments, the carrying value is considered to correspond to their fair value.

With regard to equity investments in unquoted companies included in the category available-for-sale financial assets, the fair value cannot be reasonably determined. These investments are recognised at cost. Further details are provided in note 6.14

Net financial position (alternative indicator of performance not required by accounting standards)

The net financial position of the Group at the year end represents the sum of financial receivables and payables that originated respectively from borrowings and deposits, cash and cash equivalents, and securities classified as financial assets at fair value through profit or loss. The net indebtedness of the Group at 31 December 2008 amounted to Euro 869,439 compared to Euro 1,267,227 in 2007, which included the foreign exchange and interest rate derivatives that are marked-to-market.

Derivatives entered into to hedge the risk relating to commodities used in the production process, included in the above total, have a negative mark-to-market of Euro 335 (positive Euro 252 in 2007).

The Group's net financial position may be summarised as follows:

	31/12/2008	31/12/2007
Cash and cash equivalents	356,908	643,697
Current financial assets at fair value	157,600	13,115
Banks and other borrowings (including derivative liabilities)	(131,099)	(487,470)
Short-term net financial position	**383,409**	**169,342**
Non-current financial assets at fair value	27	242
Borrowings (including derivative liabilities)	(1,252,875)	(1,436,811)
Medium/long-term net financial position	**(1,252,848)**	**(1,436,569)**
Total net financial position	**(869,439)**	**(1,267,227)**

Capital risk management

The Group's objectives with regard to capital risk management are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Group also aims to maintain an optimal capital structure in order to reduce the cost of debt.

The Group monitors capital on the basis of the ratio between the net financial position and EBITDA (an alternative performance indicator).

This ratio is an indicator of the ability to repay borrowings and is normalised in order to exclude non-recurring items.

This ratio at 31 December 2008 and 31 December 2007 was as follows:

	2008	2007
Net financial position	869,439	1,267,227
EBITDA	444,466	448,003
EBITDA/net financial position ratio	1.96	2.83

8. Disclosures in accordance with IAS 24 for related party transactions and key management compensation

8.1 Key management compensation

Key management with authority and responsibility for planning, directing and controlling the Group's activities are the executive and non-executive directors, represented by the Managing Directors and Finance Directors of Barilla Holding and the principal Group operating subsidiaries.

Total compensation paid to these individuals is presented below:

Key management compensation (Euro thousands)

	2008	2007
Short-term benefits	19,997	28,923
Post-employment benefits	779	968
Other long-term benefits	4,157	7,894
Termination benefits	0	659
Total	**24,933**	**38,444**

8.2 Related parties

Transactions with other Group companies and related parties are not considered to be uncharacteristic or unusual as they are carried out in the normal course of business. These transactions take place on an arm's length basis, where possible taking into account market conditions.

8.3 Relationships with company bodies

The emoluments of the directors of Barilla Holding Società per Azioni for 2008 amounted to Euro 6,619.
The remuneration of the Board of Statutory Auditors of Barilla Holding in relation to Group engagements amounted to Euro 289 in total in 2008.

Annexes

Annex 1 - List of consolidated companies

Company, headquarter and activity	Currency	Share Capital	% Group ownership	Through
Barilla Finance S.A. Rue du Potager, L - 2347 (Lussemburgo) Financial company	Euro	150.000	95,000	95,000 Barilla Holding Società per Azioni
Finba Luxembourg S.A. Rue du Potager, L - 2347 (Lussemburgo) Financial company	Euro	236.300.000	100,000	100,000 Barilla Holding Società per Azioni
Irfin Limited The Mews, 10 Pembroke Place - Dublino 2 (Irlanda) Financial company	Euro	10.000.000	100,000	100,000 Finba Luxembourg S.A.
Finba Iniziative S.r.l. & Co. KG Prinzenallee, 13 - Düsseldorf (Germania) Financial company	Euro	100.000	85,000	85,000 Barilla Holding Società per Azioni
Finba Iniziative S.r.l. Via Mantova, 166 - Parma (Italia) Financial company	Euro	27.656.525	85,000	85,000 Barilla Holding Società per Azioni
Logi-K S.p.A. Via Mantova, 166 - Parma (Italia) Services company	Euro	21.000.000	85,000	100,000 Finba Iniziative S.r.l.
Financieringsmaatschappij Relou B.V. Leidsegracht, 3 - Amsterdam (Olanda) Financial company	Euro	12.934.845	85,000	100,000 Finba Iniziative S.r.l.
Bakery Equity Luxembourg Rue du Potager 1, L - 2347 (Lussemburgo) Financial company	Euro	325.139.060	85,000	100,000* Finba Iniziative S.r.l.
Finbakery Netherlands B.V. Strawinskylaan, 3105 Atrium - Amsterdam (Olanda) Financial company	Euro	3.294.118	85,000	100,000* Finba Iniziative S.r.l.
Finba Bakery Holding GmbH Prinzenallee, 11 - Düsseldorf (Germania) Financial company	Euro	25.000	85,000	100,000* Finba Iniziative S.r.l.
Finba Bakery Europe AG Prinzenallee, 11 - Düsseldorf (Germania) Financial company	Euro	50.000	85,000	100,000* Finba Bakery Holding GmbH
Finba Food International BV Reeuwijkse Poort, 215 - Reeuwijktch (Olanda) Financial company	Euro	18.000	85,000	100,000* Finba Bakery Europe AG
Lieken AG Prinzenallee, 11 - Düsseldorf (Germania) Financial company	Euro	83.505.255	85,000	6,000* Finba Iniziative S.r.l. & Co. KG 94,000* Finba Bakery Europe AG
Logi-K GmbH Auf'm Halskamp, 11 - Garrel (Germania) Distributive logistic services	Euro	100.000	85,000	100,000* Lieken AG
Lieken IT Service GmbH Auf'm Halskamp, 11 - Garrel (Germania) Services company	Euro	25.565	85,000	100,000* Lieken AG
Kamps GmbH Auf dem Mutzer, 11 - Schwalmtal (Germania) Production and trade	Euro	520.000	85,000	100,000* Lieken AG

Company	Currency	Share capital	% Group ownership	Through
Quality Bakers Holding NV Bunschoten (Olanda) Financial company	Euro	3.359.013	85,000	100,000* Finba Food International B.V.
Quality Bakers B.V. Reeuwijkse Poort, 215 - Reeuwijk (Olanda) Production and trade	Euro	2.724.000	85,000	100,000* Quality Bakers Holding N.V.
Lieken Brot- und Backwaren GmbH Auf'm Halskamp, 11 - Garrel (Germania) Production and trade	Euro	535.000	85,000	100,000* Lieken AG
Scherpel GmbH Ostendstr., 8 - 64319 Pfungstadt (Germania) Services company	Euro	11.248.421	85,000	100,000* Lieken Brot- und Backwaren GmbH
Zimmermann GmbH Max-Planck-Strasse, 20-22 40699 Erkrath (Germania) Production and trade	Euro	50.000	85,000	100,000* Lieken Brot- und Backwaren GmbH
Dahlhoff Verwaltungs GmbH Geseke (Germania) In liquidation	Euro	25.564	85,000	100,000* Lieken Brot- und Backwaren GmbH
Linda Grundstuecksvermietungsgesellschaft mbH Monaco (Germania) Leasing	Euro	25.564		* de facto control. Lieken AG
Silur Grundstuecks-Vermietungsgesellschaft mbH & Co. KG Düsseldorf (Germania) Leasing		–		* de facto control. Lieken AG
Kornmark GmbH Auf'm Halskamp, 11 - Garrel (Germania) Production and trade	Euro	25.000	85,000	100,000* Lieken Brot- und Backwaren GmbH
Julia Grundstuecksverwaltungsgesellschaft mbH & Co. Vermietungs-KG Mannheim (Germania) Leasing	Euro	10.000		* de facto control. Lieken AG
Nexus Grundstuecksverwaltungsgesellschaft mbH & Co. Vermietungs-KG Mainz (Germania) Leasing	Euro	26.000		* de facto control. Lieken AG
Degemakro Grundstuecksverwaltungs GmbH & Co. Immobilien-Vermietungs-KG Eschborn (Germania) Leasing	Euro	1.000		* de facto control. Lieken AG
Barilla G. e R. Fratelli Società per Azioni Via Mantova, 166 - Parma (Italia) Production and trade	Euro	180.639.990	85,000	49,380 Financieringmaatschappij Relou B.V. 50,620 Finba Iniziative S.r.l.
Barilla Servizi Finanziari S.p.A. Via Mantova, 166 - Parma (Italia) Leasing	Euro	30.000.000	85,000	100,000 Barilla G. e R. Fratelli Società per Azioni
Academia Barilla S.p.A. Via Mantova, 166 - Parma (Italia) Trade	Euro	100.000	85,000	100,000 Barilla G. e R. Fratelli Società per Azioni
F.I.R.S.T. Retailing S.p.A. Via Mantova, 166 - Parma (Italia) Trade	Euro	5.000.000	85,000	100,000 Barilla G. e R. Fratelli Società per Azioni

* The percentage of ownership considers the group reorganization occurred during the first months of 2009.

Company	Currency	Share capital	% Group ownership	Through
F.I.R.S.T. Commerciale S.r.l. Via Mantova, 166 - Parma (Italia) Trade	Euro	10.000	85,000	100,000 F.I.R.S.T. Retailing S.p.A.
Barilla France S.A.S. Immeuble Lafayette, 2 - Place des Vosges 92400 Courbevoie (Francia) Trade	Euro	456.000	85,000	100,000 Harry's S.A.S.
Misko Pasta Manifacturing A.E. 26 Pappou & Akragantos Str. - Atene (Grecia) Production and trade	Euro	13.083.440	85,000	100,000 Barilla G. e R. Fratelli Società per Azioni
Barilla America Inc. 1200 Lakeside Drive - 60015-1243 Bannockburn, Illinois (Usa) Production and trade	USD	1.000	85,000	100,000 Barilla G. e R. Fratelli Società per Azioni
Barilla do Brasil LTDA A.V. Pinzon, 144 - 7° Andar CJ 71 e 72 Vila Olimpia - San Paolo (Brasile) Trade	BRL	19.538.080	85,000	99,990 Barilla G. e R. Fratelli Società per Azioni 0,010 Barilla Servizi Finanziari S.p.A.
Barilla Japan K.K. Minamiaoyama Minato-ku - Tokyo (Giappone) Trade	JPY	10.000.000	85,000	100,000 Barilla G. e R. Fratelli Società per Azioni
Barilla Wasa Austria GmbH Grabenweg, 64 - 6020 Innsbruck (Austria) Trade	Euro	436.000	85,000	100,000 Barilla G. e R. Fratelli Società per Azioni
Barilla Mexico S.A. de C.V. Calzada San Bartolo Naucalpan, 360 Col. Argentina Poniente, Deleg. Miguel Hidalgo, 11230 Città del Messico (Messico) Production and trade	MXN	177.748.096	42,500	50,000 Barilla G. e R. Fratelli Società per Azioni
Serpasta Pastificio S.A. de C.V. Calzada San Bartolo Naucalpan 360 Col. Argentina Poniente, Deleg. Miguel Hidalgo, 11230 Città del Messico (Messico) Services company	MXN	50.000	42,500	2,000 Barilla G. e R. Fratelli Società per Azioni 96,000 Barilla Mexico S.A. de C.V.
Number 1 Logistics Group S.p.A. Via Mantova, 166 - Parma (Italia) Distributive logistic services	Euro	5.000.000	85,000	100,000 Barilla G. e R. Fratelli Società per Azioni
Barilla Gida A.S. Ayazaga Ticaret Merkezi, 11 Eski Buyukdere Caddesi, n. 1 B Blo Kat 9 Maslak - Istanbul (Turchia) Production	TRL	2.940.000	84,996	99,995 Barilla G. e R. Fratelli Società per Azioni
Barilla A.G. Zugerstrasse, 76B - 6340 Baar (Svizzera) Trade	CHF	1.000.000	84,575	99,500 Barilla Wasa Benelux BV
Wasabrod Ab 80 Commune - Stoccolma (Svezia) Production and trade	SEK	5.000.000	85,000	100,000 Barilla G. e R. Fratelli Società per Azioni
Ideal Wasa As Myrveten, 12 - 23T2 Ottestad - 2301 Hamar (Norvegia) Production and trade	NOK	1.950.000	85,000	100,000 Wasabrod Ab
Wasabrod As Mileparken, 18 - 2740 Skovlunde (Danimarca) Trade	DKK	500.000	85,000	100,000 Wasabrod Ab

Company	Currency	Share capital	% Group ownership	Through
Wasa Barilla Poland Sp. Z.o.o. ul. Poleczki, 23 - 80022 Varsavia (Polonia) Trade	PLN	14.050.000	85,000	100,000 Wasabrod Ab
Barilla Wasa Deutschland GmbH Ettore Bugatti Strasse, 35 51149 Colonia (Germania) Production and trade	Euro	51.100	85,000	100,000 Wasabrod Ab
Barilla Australia PTY Ltd Annandale Street - NSW 2038 Sydney (Australia) Trade	AUD	19.050.000	85,000	100,000 Barilla G. e R. Fratelli Società per Azioni
Barilla Wasa Benelux B.V. De Molen, 13 - 3994 Houten (Olanda) Trade	Euro	90.000	85,000	100,000 Barilla G. e R. Fratelli Società per Azioni
Barilla Adriatik d.o.o. Trzaska cesta, 315 - Lubiana (Slovenia) Trade	Euro	50.000	85,000	100,000 Barilla G. e R. Fratelli Società per Azioni
Barilla America N.Y. Inc. Livington County - New York (Usa) Production	USD	1.000	85,000	100,000 Barilla G. e R. Fratelli Società per Azioni
Harry's S.A.S. 58-60, avenue Klêber - 75116 Parigi (Francia) Financial company	Euro	111.736.096	85,000	100,000 Barilla G. e R.
Productos Alimenticios La Bella Easo SA Poligono Malpica, Calle B parcela 62-63 50016 Saragozza (Spagna) Production and trade	Euro	7.601.178	85,000	100,000 Harry's S.A.S.
Harry's Portugal Produtos Alimentares SA 12 Rua Garrett - 1200-204 Lisbona (Portogallo) In liquidation	Euro	50.000	84,993	99,992 Harry's S.A.S.
Harry's Management Services Ltd Bunnian Place, Basingstoke - RG 21 7 JE Hants (UK) Financial company	GBP	1.800.000	85,000	100,000 Harry's S.A.S.
Harry's Restauration S.A.S. (Quality Bakers Picardie S.A.R.L.) 72 route de Chauny 02430 Gauchy (Francia) Production and trade	Euro	153.000	85,000	100,000 Harry's France SAS
Harry's France SAS B.P. 193, Rue du Grand Pré 36004 Châteauroux Cedex (Francia) Production and trade	Euro	13.640.800	85,000	100,000 Harry's S.A.S.
Harry's CIS Butyrsky Tupik 1, Solnechnogorsk 141500 Mosca (Russia) Production and trade	RUB	679.119.059	85,000	100,000 Harry's Russia, Denmark, A/S
ZAO KONDI 132 Mendeleeva - Ufa (Russia) Production	RUB	10.198.050	85,000	100,000 Harry's CIS
Harry's Benelux NV Gentstraat, 52 - B-9971 Lembeke (Olanda) Trade	Euro	200.000	51,000	60,000 Harry's S.A.S.
Harry's Russia, Denmark, A/S 69 St. Kongensgade DK 1264 Copenaghen (Danimarca) Financial company	DKK	97.236.000	85,000	100,000 Harry's S.A.S.

Annex 2 – List of investments in associated and other companies

Company, headquarter and activity	Currency	Share Capital	% Group ownership	Through
Bart's Retail B.V. Beuningen (Olanda) Production and trade	Euro	18.151	17,000	20,000* Quality Bakers Holding NV (formerly Kamps Holding N.V.)
BRW S.p.A. Via Savona, 97 - Milano (Italia) Advertising	Euro	6.306.121	24,650	29,000 Barilla G. e R. Fratelli Società per Azioni
Fiere di Parma S.p.A. Via F. Rizzi, 67/A - Baganzola (Parma) (Italia) Fair activities	Euro	20.235.270	0,276	0,325 Barilla G. e R. Fratelli Società per Azioni
CE.P.I.M. S.p.A. Piazza Europa - 43010 Fontevivo (Parma) (Italia) Warehousing	Euro	6.642.928	0,323	0,380 Barilla G. e R. Fratelli Società per Azioni
Immobiliare Caprazucca S.p.A. Str. Al ponte Caprazucca, 6 - Parma (Italia) Other	Euro	7.520.112	0,00002	0,00003 Barilla G. e R. Fratelli Società per Azioni
S.I.GRA.D. Scrl Via Palestro, 35 - Roma (Italia) Farmers' union	Euro	40.000	2,125	2,500 Barilla G. e R. Fratelli Società per Azioni
SOGEAP - Aeroporto di Parma Società per la gestione S.p.A. Via dell'Aeroporto, 44/a - 43100 Parma (Italia) Airport activities	Euro	28.611.016	0,051	0,060 Barilla G. e R. Fratelli Società per Azioni
Pallino Pastaria Company 1207 208th Avenue S.E. - Sammamish 98075 - Washington (Usa) Production and trade	USD	12.817.020	12,750	15,000 Barilla America Inc.
Italia del Gusto - Consorzio Export La gastronomia di marca Viale Mentana, 41 - Parma (Italia) Trade	Euro	90.000	4,760	5,600 Barilla G. e R. Fratelli Società per Azioni
COMIECO Via Litta Pompeo, 5 20122 Milano (Italia) Other	Euro	1.097.350	0,0003	0,0003 Barilla G. e R. Fratelli Società per Azioni
CO.NA.I. Via Tomacelli, 132 - Roma (Italia) Other	Euro	13.091.528	0,0085	0,010 Barilla G. e R. Fratelli Società per Azioni

* The percentage of ownership considers the group reorganization occurred during the first months of 2009.

Annex 3 - Currency rates of exchange

Main rates of exchange used to convert consolidated financial statements are set below:

		PROFIT & LOSS average 2008	BALANCE SHEET Year end 12/31/2008
AUD	Australian Dollaro	1,7416	2,0274
BRL	Brazilian Real	2,6737	3,2436
CHF	Suiss Franc	1,5874	1,4850
DKK	Danish Krone	7,4560	7,4506
JPY	Japanese Yen	152,4541	126,1400
MXN	Mexican Pesos	16,2911	19,2333
NOK	Norwegian Krone	8,2237	9,7500
PLN	Polish Zloty	3,5121	4,1535
SEK	Swedish Krona	9,6152	10,8700
TRL	Turkish Lira	1,9064	2,1488
USD	America Dollar	1,4708	1,3917
GBP	British Pound	0,7963	0,9525
CZK	Krona - Czech Republic	24,9463	26,8750
RUB	Rublo - Russia	36,4207	41,2830

Report of Independent Auditors

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 2409-TER OF THE 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"), which comprise the balance sheet, the income statement, the statement of recognised income and expenses, the cash flow statement and related notes as of and for the year ended 31 December 2008. These financial statements are the responsibility of Barilla Holding SpA management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with Italian auditing standards. Those standards require that we plan and perform the audit to obtain the reasonable assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management. 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, reference is made to our report dated 19 May 2008.

3 In our opinion, the consolidated financial statements of Barilla Holding Group comply with the International Financial Reporting Standards as adopted by the European Union; accordingly, they give a true and fair view of the financial position as of 31 December 2008, and of the results of operations, income and expenses recognised in equity and cash flows of Barilla Holding Group for the year then ended.

4 Management of Barilla Holding SpA is responsible for the preparation of the directors' report in accordance with applicable laws and regulations. Our responsibility is to express an opinion on the consistency of this report with the financial statements, as required by art. 2409-ter, paragraph 2, letter e), of the Italian Civil Code. For this purpose we performed the procedures required under Auditing Standard n. 1 issued by the Italian Accounting Profession. In our opinion the directors' report is consistent with the consolidated financial statements of Barilla Holding Group as of and for the year ended 31 December 2008.

Milan, 10 April 2009

PricewaterhouseCoopers SpA

Signed by

Paolo Caccini
(Partner)

(This report has been translated into the English language from the original, which was issued in Italian, solely for the convenience of international readers.)

Corporate information and contacts

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