Annual Report 2009

Barilla

The Italian Food Company. Since 1877.

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Luca, Paolo, and Guido Barilla

Chairman's letter

In 2009 the international markets were still overshadowed by the global economic crisis and the climate of consumer uncertainty resulting in a contraction in family spending persisted. Food consumption levels remained stable as did raw material prices, while promotional expenditure increased significantly.

The consolidated revenue of the Barilla Group in 2009, which comprises Barilla G. e R. Fratelli and Lieken and principally operates in Italy, the United States, France, Germany and Northern Europe, amounted to Euro 4,171 million. The Group operating results recorded EBITDA of Euro 527 million thanks to a growth in margins in the United States, the full integration of Harry's into Barilla G. e R. Fratelli, increased margins recorded by Lieken and a significant cost reduction plan carried out at Group level.

EBIT totalled Euro 24 million and was impacted by the impairment loss of Euro 252 million recognised against the Lieken Group goodwill and costs of Euro 46 million arising on the disposal of the investment in La Bella Easo. The loss for the year, after finance costs and income tax expense totalling Euro 125 million, amounted to Euro 101 million.

Employment levels did not increase as expected and a widespread fall in consumer spending capacity continued into the beginning of 2010 although food consumption levels remained stable. Raw materials prices began to rise over the last few months.

In this difficult scenario, the Barilla Group continued to maintain its corporate values and offer high quality products that aspire to the nutritional model of the Mediterranean Diet, a constant reference point for the Group. Through the Nutrition Advisory Board, an internal body comprising a panel of international food scientists, we have defined guidelines for future products that must satisfy individuals' nutritional requirements. The Barilla Center for Food & Nutrition, now in its second year, has challenged complex topics linked to a society that is full of contradictions, with half of the world's population suffering from malnutrition and half overweight, in order to identify new patterns and be sensitive to the issue of environmental sustainability.

Our corporate culture and strategic vision reflect the fact that we are fully aware of the global challenges that await us in future years, which drives us constantly to renew and strengthen the Barilla brand identity that embodies the trust of the people who choose our products and the desire to identify new paths for development, in the knowledge that only those companies that are able to overcome the contradictions and market tensions, by renewing their communication, technological and production processes, will succeed.

Within this international economic climate, the Group maintained its solid financial position that derives from constant cash generation and the consolidation of its debt that remained stable at Euro 877 million after financing increased expenditure on Research and Development activities that amounted to Euro 40 million, and industrial operations totalling Euro 141 million that principally related to Barilla's production facilities in Italy and the United States and those of Lieken in Germany.

We will continue to research efficient industrial solutions, exploiting the skills and synergies within the Group. The merger of Barilla France and Harry's to form one company and the rationalisation of Lieken will allow us to consolidate our market position in continental Europe, which we have always considered our home market.

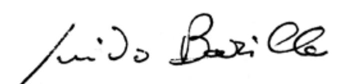
With regard to the European bakery products market, the strengthening of the competitive position of Harry's, Wasa, Golden Toast and Lieken Urkorn provided excellent results. Our market leader position in the US pasta market continued to grow and strengthen. International development continues to represent a significant growth opportunity and will take on increasing importance for our company.

In Italy we continue to uphold our corporate values by maintaining the correct balance between price and quality and promoting the brand values despite aggressive promotional activities in the market.

Barilla, Mulino Bianco and Pavesi confirmed their leadership positions and Alixir's position in the functional foods market appears to be heading in the right direction.

The company's commitment to its principal Stakeholders was further strengthened in 2009 through the launch of the path towards sustainability so that we may continue to provide increased value to individuals and to the society in which we operate.

Guido Barilla



Directors and officers

BARILLA HOLDING S.P.A.

Board of directors

Chairman
Guido Maria Barilla

Deputy chairmen
Luca Barilla
Paolo Barilla

Chief executive officers
Robert Singer (until 4/27/2009)
Massimo Potenza (from 4/27/2009)

Directors
Emanuela Barilla
Giuseppe Vita (until 4/27/2009)

Board of statutory auditors

Chairman
Luigi Capitani

Auditors
Alberto Pizzi
Augusto Schianchi

Alternate auditors
Franco Chierici
Ugo Tribulato

BARILLA G. E R. FRATELLI S.P.A.

Board of directors

Chairman
Guido Maria Barilla

Deputy chairmen
Luca Barilla
Paolo Barilla

Chief executive officer
Massimo Potenza

Directors
Emanuela Barilla
Nicolaus Issenmann
Manfredo Manfredi
Andrea Pontremoli
Robert Steven Singer
Giuseppe Vita (from 4/27/2009)

Board of statutory auditors

Chairman
Augusto Schianchi

Auditors
Giampiero Alinovi
Mario Tardini

Alternate auditors
Franco Chierici
Alberto Pizzi

LIEKEN AG

Supervisory board

Chairman
Ulrich Hüppe

Directors
Guido Maria Barilla
Paolo Barilla
François Carrard (until 5/12/2009)
Nicolaus Issenmann
Augusto Schianchi
Massimo Potenza (from 5/12/2009)
Franco Guariglia (until 5/12/2009)
Marco Biagioni (until 5/12/2009)

Employee representatives
Ernst Busch
Barbara Erath
Herbert Gluma (until 5/12/2009)
Ernst Ingber
Carsten Kelbch (until 5/12/2009)
Peter Störling
Hans Werner Wasmund (until 5/12/2009)
Norbert Weiner (until 5/12/2009)
Frank Przyborowski (from 5/12/2009)
Roland Sandner (from 5/12/2009)

Management board

Chairman
Wolfgang Keller

Directors
Massimo Ambanelli
Jaap Schalken
Alexander Bott (from 3/2/2010)
Cristiano Alocci (until 6/30/2009)
Jörg Drangmeister (untill 12/31/2009)

HARRY'S S.A.S.

Management board

Chairman
Giangaddo Prati

Directors
Paolo Alfieri (until 6/30/2009)
Marco Biagioni (until 6/30/2009)
Nicolaus Issenmann
Elia Congiu (from 1/26/2010)
Maria Cristina De Berardinis (from 1/26/2010)
Jean-Joseph Schiehle (from 6/30/2009
until 12/31/2009)

Directors' Report

In a year in which international markets were affected by the continuing global economic crisis, Group revenue in 2009 (principally relating to operations in Italy, US, France, Germany and Northern Europe), amounted to Euro 4,171 million (2008 - Euro 4,535 million), an 8% fall on the previous year. Considering the same scope of consolidation (excluding the revenue of the subsidiaries sold in 2009 and 2008), revenue only fell by 3%.

The Group's consolidated loss for the year (excluding the profit for the year attributable to minority interest) amounted to Euro 88 million, compared to a profit of Euro 78 million in the prior year. The total consolidated loss for the year was equal to Euro 101 million, as a result of the impairment loss of Euro 252 million recognised against the goodwill of the Lieken group, while the corresponding amount in 2008 was a profit of Euro 85 million; the loss for the year attributable to minority interest was around Euro 13 million.

Transactions involving investments

In the course of 2009, the Group's scope of consolidation was reduced after the disposal of the entire shareholding in La Bella Easo, part of the Bakery Business Unit.

Barilla Holding Società per Azioni presents a corporate structure in the 2009 financial statements in which investments in the Group's operating companies are held through the sub-holding Barilla Iniziative S.r.l., which is 85% owned by Barilla Holding Società per Azioni.

From 20 May 2009, Barilla Holding Società per Azioni ceased to carry out direction and co-ordination activities, as defined in article 2497 of the Italian Civil Code, in respect of Barilla G. e R. Fratelli Società per Azioni in relation to 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 Società per Azioni, 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 (disclosed in brackets). Percentages (on margins and changes) were calculated based on the values expressed in thousands of Euro. The Group, of which Barilla Holding Società per Azioni is the parent 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 presented below comprise the results of businesses that were disposed of during the year until the date on which the group ceased to exercise control over them.

EBIT (operating profit from continuing operations) amounted to Euro 320.1 million (2008: Euro 225.0 million), corresponding to 7.7% when expressed as a percentage of revenue (2008: 5.0%).

The loss before income tax amounted to Euro 15.5 million (2008: profit of Euro 148.3 million) as a result of the above-mentioned impairment loss recognised on the goodwill of the Lieken group.

Current and deferred income taxes for the year total Euro 85.4 million (2008: Euro 84.1 million), corresponding to an effective tax rate, excluding unfavorable extraordinary items, of 30.1%.

EBITDA (operating profit from continuing operations before depreciation and amortisation and impairment losses on property, plant and equipment and intangibles) is equal to Euro 527.0 million (2008: Euro 444.5 million), corresponding to 12.6% of revenue (2008: 9.8%).

Liabilities include a net indebtedness of Euro 877 million, which is in line with the previous year; this amount is analysed further in the notes to the consolidated financial statements.

The current financial requirements of the Group are met in full by the following arrangements (which are further detailed in the notes to the consolidated financial statements):

- the US Dollar $350 million debenture loan, issued in December 2003 and divided into three tranches (amounting to and maturing on: US$ 78 million in 2010, US$ 180 million in 2013 and US$ 92 million in 2015), which is placed with institutional investors in the United States. These debentures, including the related hedging financial instruments valued at mark-to-market, amount to a total of Euro 289 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 foreign banks for a total of Euro 1,750 million, repayable in annual instalments of Euro 60 million commencing 2009. At 31 December 2009, Euro 974 million of this credit facility had been drawn down.

The strategy adopted by the Barilla Holding Group in recent years to extend the average residual period of its debt has allowed the Group to avoid resorting to securing financial resources during particularly restrictive periods in the worldwide financial and lending markets, which has led to a constraint in the availability of credit facilities and, as a market consequence, to an increase in the spreads applied. At 31 December 2009 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. The cost of the most significant portion of debt enjoys a spread that is decidedly more favourable than those applied on today's financial markets.

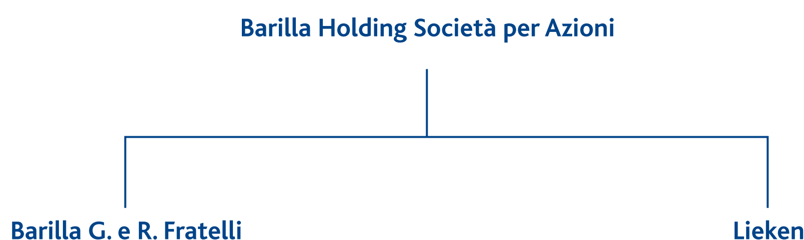
As financial resources largely comprise of debenture loans and medium-term maturities, the liquidity resources available (Euro 41 million against Euro 383 million in 2008), have led the Group to manage a significant level of short-term financial assets at a time when economic and financial markets are experiencing an upturn compared to 2009, although the situation is still not stable. Further details are provided in note 7 of the notes to the consolidated financial statements.

The Group extinguished Euro 250 million of the multi-tranche credit facility in February 2010 in order to reduce excess liquidity.

Group structure and organisation

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

The current Group structure is divided into two operating sub-holdings: Barilla G. e R. Fratelli S.p.A. and Lieken AG, together with their subsidiaries (in order to simplify the organisation structure Barilla Iniziative S.r.l. 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 54 production facilities across 10 countries.

The number of employees at 31 December 2009 was 15,047 (16,215), of which 4,755 (4,666) are employed in Italy and 10,292 (11,549) overseas. The change in employee numbers by category compared to the prior year may be summarised as follows:

	31/12/2009	31/12/2008
Managers and white-collar staff	4,376	4,575
Blue-collar staff	10,671	11,640
Total	**15,047**	**16,215**

Of the total fall in employee numbers, 356 are due to a change in the scope of consolidation.

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.

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.

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.

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.

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.

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

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.

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.

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.

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.

The international economy

The GDP in Italy fell by approximately 5 percent and unemployment reached 10 percent, similarly to levels in other European countries and the United States. The only countries that successfully survived the economic crisis that affected the three year period 2007-09, are China and the other members of the BRIC countries, which offset the fall in exports with a strong contribution to internal demand. On a worldwide level, GDP fell by 2 percent confirming the widespread global crisis.

As already mentioned in last year's report, in overall economic terms food consumption has remained stable (reporting a 2/3 percent decrease), while raw material prices were favourable in the second half of the year, thus contributing to the Barilla Group's performance. As soon as the economy showed the first signs of recovery, energy prices started to rise commencing June 2009 and resulting in renewed pressure on manufacturing costs.

Barilla Group's results also demonstrate the company's outstanding commitment to maintaining its corporate values.

The policies to promote the Barilla Group's Brand and its products proved to be extremely effective; changes were made (even to packaging) and the product range was extended, while a flexible pricing policy was adopted to face the downturn in consumption levels. The Group adopted a policy of establishing correct and measured relations with the modern trade, seeking to create a constant link with consumers and support their loyalty.

The Group reacted quickly to the change in market conditions, defining a new process of management responsibilities and new forms of incentives in order to strengthen corporate identity.

In the year that witnessed the approval of the financial statements that brought the decade to a close, Barilla Group consolidated the forward trend in its financial results through long-term strategic choices that focused on:

- a permanent organization restructuring plan aimed at achieving increased efficiency together with cost reductions;
- a rigorous selection process in relation to investments;
- product innovation, through the consolidation of market share ensuring profitability levels in line with other market players and the Group's development objectives; and
- last but not least, 15 years after the decision to set-up manufacturing facilities directly in the United States and the significant capital expenditure this involved, Barilla America has reached a 28% market share and has begun to generate satisfactory profit levels, thus supporting the decision that, at the time, seemed far-sighted.

The future presents numerous challenges:

- governments and central banks have not yet defined an exit-strategy for the current crisis; so far, this has only involved short-term solutions to face arising market conditions;
- the current tensions in the government bonds markets of those countries with high levels of national debt confirm the fact that the financial markets have not succeeded in restoring investor faith to the extent that it secures a certain degree of stability;
- the uncertainties that will persist following the crisis will result in increased risk levels; with a foreseeable rise in interest rates (already today the long-term rate on sovereign debt is 5 percent, more that 3 points in real terms) and an increase in raw material prices, which will also experience increased volatility;
- these cost increases will create new competitive tensions to maintain profit margins both between market competitors and with the modern trade, in this case in the market for fast moving consumer goods where consumer competition is particularly aggressive; and
- there is no doubt that this recent economic crisis has changed the world. However, as the crisis has not affected all companies and all countries to the same extent and with the same force, it is highly likely that the new normal economy will bring with it significant changes: new products, movements in market segments with the introduction of new categories, accelerated developments in consumption methods and new market players that will create new elements of comparison amongst competitors.

The future will present stark contrasts, starting with the fundamental issue of a world where half the population suffers from malnutrition while the other half is overweight. Companies will be required to make trade-offs: between tight price constraints and profit levels needed to finance business growth; between satisfying consumer demand for innovative, diversified products and the need to increase production volumes to contain costs; between the demand for increased product quality (particularly in terms of food safety) and the requirement to standardise productivity; and between meeting increased food demand while preserving traditions and the original qualities of these foods.

In summary, companies that are able to overcome these market difficulties and reinvent technological-production processes will survive.

This awareness of global change over the coming years is ever present in the Barilla Group's strategic culture and leads it to renew and strengthen continuously its brand identity, which involves securing consumer loyalty while laying down a path to development.

Group operating review

Barilla G. e R. Fratelli

With regard to the food business, market tensions in this segment have been impacted by more aggressive competition between retailers, recent developments in market concentration and a significant increase in promotions and price cuts.

The volatility of raw materials prices over the last 24 months has made it difficult to achieve stable profit margins. The fall in food raw material prices particularly in the second half of the year eased some of the pressure on margins.

The nutritional model founded on the Mediterranean Diet is our constant reference point and with the support of the Nutritional Advisory Board, an internal body consisting of an international panel of food scientists, guidelines for the development of new products that satisfy consumers' nutritional requirements have been established.

In particular the operations of the Barilla G. e R. Fratelli group may be categorised into the following four business units:

- *Meal Solution Business Unit*, relating to the production and sale of first courses (pastas and sauces) under the Barilla, Voiello, Misko and Filiz brands, 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 and Harry's brands.
- *North America Business Unit*, which manufactures and/or sells pasta dishes in the North American and Mexican markets under the Barilla, Vesta and Yemina brands; and sells bakery products, principally the WASA brand, in the North American market.
- *Number 1 Business Unit*, which provides logistics services both to the Group and third parties.

Meal Solution Business Unit

Pasta

Pasta consumption in overseas markets increased in 2009, recording significant growth in markets that are important to Barilla Group Holding such as France (+2% in volumes) and Germany (+4%), while performance in the Italian market was consolidated this year.

In the course of 2009, Barilla Group Holding continued its policy of brand consolidation, which is reflected in a slight contraction in market share in volume terms but a strengthening in terms of value. The only exception to this was the Turkish market where despite being a growth market, a 3 percent decrease in volumes and a 2 percent fall in value was recorded. This arose due to the entry of new players and an extremely aggressive price policy.

A special promotional programme was executed throughout all countries but following a different timescale and implementation method. This plan, together with traditional discounts, counteracted the competitive pressure on prices that persisted throughout the whole year in all European countries. Total revenue of the Pasta segment fell by 6% compared to 2008.

Sauces

Barilla performed well in the Ready Made Sauces segment with a 9% increase in revenue compared to 2008.

Consumption of Ready Made Sauces in Europe was either stable or recorded a slight decrease this year, however overall market share increased in value terms with cross country growth of 3-6%.

Price increases were implemented in the main European markets in 2009, with the exception of Italy, in order to offset the impact of increased manufacturing costs.

Bakery Business Unit

Despite current trends, the results of the Bakery markets in which Barilla operates in Italy were stable in 2009, with an increase in the Breakfast segment, the Breads segment remaining stable and a slight increase in the Out of Meal segment. Barilla increased its market share in the Breakfast segment thanks to growth in the biscuit segment while it maintained its share of the Out of Meal segment and recorded a slight fall in the Breads segment.

The results of the main overseas markets were stable: the market was stable in France in terms of value but experienced a growth in volumes; the market in Sweden remained stable in terms of value and the German market recorded a 1% increase. The market share of the Bakery business increased in France thanks to positive developments in the Snacks segment that offset a downturn in the Breads segment, due to an increase in the share of Private Brands; the market shares in Germany and Sweden fell due to increased low-price competition. Norway represented a positive exception to these trends with a 5% growth in the market and 1.5% increase in market share.

In 2009, Bakery Business Unit volumes fell by 4% compared to 2008 following the market crisis in Russia, a significant downsizing of the Retail business in France and the closure of the La Bella Easo business in Spain in September this year. Revenue is in line with the trend in volumes, while significant promotional expenditure was incurred to maintain product competitiveness and the results were also affected by the strong devaluation of the Swedish, Norwegian, Polish and Russian currencies.

The unstable economic situation that is reflected in revenue enjoyed a favourable trend in the market for raw materials prices that contributed to the net result staying in line with the previous year.

North America Business Unit

The constant growth in this Business Unit continued, with revenue increasing by 10% on the previous year. This was contributed to by a more than 6% increase in sales volumes and the full year impact of sales price increases applied in 2008 to maintain the level of profitability required to meet business growth. The market share in the United States in value terms increased to 27.7%, further consolidating the position in the retail market. Solid and effective marketing, promotional and customer management programmes contributed to these results. The Whole Wheat Pasta range launched last year recorded positive results.

Number 1 Business Unit

New commercial contracts worth more than Euro 21.0 million were secured in 2009 with roll-out commencing at the end of the year that will carry on into the first half of 2010.

The rationalisation of the client base, founded on the criteria of profitability and business segment, continued this year; moreover revenue fell due to the sale of a number of businesses/brands owned by multinationals that were already clients of Number1.

The change in transport management resulted in the more efficient use of vehicles: short journeys were covered in less time (with use of high vehicle rotation) and long jour-

neys had high saturation rates in order to make better use of invested capital.

Extensive and demanding cost reduction programmes were executed this year.

From an economic point of view the forecast results were not achieved, despite strong commercial and operations management, as a result of the decision to record impairment losses against a number of trade receivables balances and the start-up costs involved with new clients.

Lieken

The production and organisation restructuring plan continued in 2009 in respect of both of the Lieken group divisions: Lieken Brot und Backwaren (the German retail division) and Kamps Bakeries (the chain of Kamps brand bread stores).

Revenue of the Lieken group amounted to more than Euro 992 million in 2009, down on the previous year but in line with budget. This fall is due to the disposal (in December 2008) of Kamps Quality Bakers (the Dutch Retail division).

At 31 December 2009, the Lieken group produced bread and bakery products in 20 factories in Germany for daily delivery to the own brand stores and the modern trade.

Revenue of the *German Retail division* was affected by the continuing problematic economic situation, with the total of approximately Euro 790 million representing a 5% fall on the previous year.

Thanks to constant cost controls, both in the distribution chain and overheads, the results recorded by Lieken in the year increased compared to 2008 (that had been strongly penalised by increased raw material prices).

The *Kamps (Bakeries) division*, still the largest single brand chain of stores in Germany, recorded a 5% fall in revenue compared to 2008.

EBITDA is down slightly compared to the previous year.

In March 2010 Lieken intensified its restructuring plan. Efforts will focus on strengthening its own brands, Bake Off production and restructuring the manufacturing facilities with the aim of improving profit margins.

As mentioned above, the impairment loss recognized on the goodwill of the Lieken group contributed to the loss recorded by the Barilla Holding Group.

Capital expenditure

In the course of 2009 the Barilla Group maintained a significant level of investment aimed at increasing the production capacity of the plants in Italy and abroad: total capital expenditure was Euro 141 million corresponding to 3.4% of revenue.

In 2009 the Barilla G. e R. Fratelli group, invested approximately Euro 112 million (Euro 106 million). The principal investments related to the fourth production line of the factory in Avon (US), which commenced operations in June 2009 and an extension to the finished goods warehouse in Cremona (Italy).

Lieken invested in property, plant and equipment totalling Euro 28 million (Euro 51 million).

Research and development

The main purpose of our research and development activities is to create superior food products in terms of taste, nutritional value, quality, safety and ease of use, which is achieved through continuous experimentation with new ingredients and innovative processes and technologies that are supported by studies on the organoleptic, nutritional and safety qualities in the planning of new products.

The Group's total expenditure on research and development activities amounted to Euro 40 million in 2009 (Euro 36 million).

Other significant operating events

The simplification of the Group corporate structure continued into 2009 and resulted in all of the operating companies being incorporated under the sub-holding Barilla Iniziative S.r.l., in which the parent company has an 85% holding.

This corporate restructuring exercise also resulted in the liquidation or disposal of a number of overseas entities. Finba Luxembourg S.A. transferred its registered office to Italy and changed name to BAFIN S.p.A.

Financieringsmaatschppij Relou B.V. was merged into the sub-holding Barilla Iniziative S.r.l.

Corporate governance

The corporate governance structure of Barilla Holding S.p.A. is based on the following corporate bodies: the Board of Directors, the Board of Statutory Auditors and the Accounting Control Body. These are supported by the system of internal control and the Organisation Model that complies with Legislative Decree 231/2001 (hereinafter "the Model").

The *Board of Directors* is the body 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.

The current Board comprises five members.

The above-mentioned Model comprises the Code of Ethics, which 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.

In order to evaluate the effective and correct implementation of the Barilla Holding Model, the Board of Directors appointed a *Supervisory Body*, which is composed of the heads of Group Legal and Corporate Affairs and Group Internal Audit, and an external member who is a university lecturer. The Supervisory Body regularly reports to the Board of Directors regarding its activities and receives notices and recommendations from employees.

The *Board of Statutory Auditors* oversees compliance with the law and the articles of association, regarding compliance with the principles of correct administration. The members of the Board of Statutory Auditors are appointed for a three-year term and may be reappointed.

PricewaterhouseCoopers S.p.A. has been engaged to perform the audit of the accounting records as required by law, consequently 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.

The governance structure of the main operating subsidiaries is mirrored on that of Barilla Holding, taking into consideration local legislation in respect of overseas entities.

Risk management

In order to develop and consolidate further the Risk Management activities that have been in place for a number of years, in 2009 the Business Continuity Management (BCM) study was extended to cover the companies in the Lieken group in Germany.

In a number of the Group manufacturing facilities, investment was made in the areas of prevention and automatic safety measures in line with the most advanced international safety standards.

It has been agreed that common procedures governing the insurance terms of third party contractual relations will be adopted.

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 entered into 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 for the Pedrignano (Corporate Headquarters in Parma) site's access to the network. Finally, all integrated lines of communication have a back-up.

The Security Plan was updated as required under Legislative Decree 196/2003, the Consolidated Privacy Act, with regard to IT security.

In order to maintain a sufficient safety level in relation to Information Technology, third party experts perform vulnerability assessments across the entire Group.

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

Barilla Group's "Challenges, Commitments and Actions for a Sustainable Growth" report was issued in 2009 with the aim of guiding and underlining the long-term policies and actions in the area of corporate social responsibility. This confirms the Group's commitment to sustainable growth that respects people and the environment in which it operates.

The roll-out over a number of years of the Barilla Integrated Environmental Management System, which was developed in line with technical standard ISO 14001 and concludes with the third party (DNV) certification of each site, is proceeding according to plan. All of the Italian manufacturing facilities have already been ISO 14001 certified and have received, or are in the final stages of receiving, the Integrated Environmental Authorisation in accordance with strict European IPPC (Integrated Pollution Prevention and Control) regulations that command high levels of environmental performance. The plants covered by the Emissions Trading Scheme are certified regularly.

Commencing in the second half of the year, all of the electrical energy acquired for the Mulino Bianco production is covered by the Renewable Energy Certificate System (RECS) with the aim of promoting the generation and use of renewable energy. The first Product Environmental Certification was awarded for durum wheat pasta and the first Climate Declaration was published (www.environdec.com).

The long-term project to roll-out the Barilla Integrated Safety-at-Work Management System, which was developed in accordance with technical standard OHSAS 18001 (Occupational Health and Safety Assessment Series), to all of our factories is proceeding according to plan. This is aimed at further safeguarding employee health and safety through significant investments in training.

No serious accidents at work involving employees occurred and there are no claims against the Group in relation to health and safety.

With regard to employees, in 2009 Barilla G. e R. Fratelli defined and launched a series of new Human Resources projects. The Barilla Leadership Model, which is anchored on Barilla Group's corporate values and aspires to its future strategy, defines the distinctive corporate conduct of Barilla People.

The Barilla Human Capital Model, which integrates all Human Resources management systems at international level, was established.

The Talent Management system was revisited with the aim of attracting outside talent and managing and developing existing talent within the Group. A new system was used in the new Performance evaluation cycle that commenced in 2009.

Revisions were made to the LAB, the multi-disciplinary training centre set-up to raise the technical and leadership profiles of our People but also to assist in interpreting the food world with a critical and innovative eye.

The Corporate Management system implemented by the Lieken group, foresees co-management with employee representatives on the Supervisory Board (a dualistic system). This system 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, 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 note 8 of the notes to the consolidated financial statements.

Significant events after the balance sheet date

No significant events, other than those mentioned above, occurred after the balance sheet date.

Management outlook

In the first months of 2010 the Group performed in line with budget expectations.

In general, difficult market conditions persist and economic recovery is still considered to be in the initial stages. There is growing conviction that the economic crisis reached its lowest point some months ago; however, as yet there are no signs that the recession is over. In particular, the fact that employment has not recovered leads us to believe that weak consumer demand will continue in 2010.

Consolidated financial statements for the year ended 31 December 2009

The annual general meeting of shareholders approved the consolidated financial statements for the year ended 31 December 2009 on 4 May 2010.

Consolidated balance sheet

(Euro thousands)

Assets	Note	31/12/2009	31/12/2008
Current assets			
Cash and cash equivalents	6.1	423,842	356,908
Trade receivables	6.2	522,765	467,572
Tax credits	6.3	102,466	72,191
Other receivables due from parent company	6.4	4,078	21,673
Other receivables	6.5	51,723	69,448
Inventories	6.6	263,944	307,564
Derivative financial instruments	6.23	903	0
Financial assets at fair value through profit or loss	6.7	0	157,600
Assets held for sale	6.8	9,567	8,489
Total current assets		**1,379,288**	**1,461,445**
Non-current assets			
Property, plant and equipment	6.9	1,277,232	1,353,996
Goodwill	6.10	486,403	762,922
Other intangible assets	6.11	203,909	223,635
Trade and other receivables	6.12	7,712	7,905
Deferred income tax assets	6.13	63,126	15,024
Available-for-sale financial assets	6.14	1,788	1,748
Financial receivables	6.15	23,700	21,920
Derivative financial instruments	6.23	2	27
Total non-current assets		**2,063,872**	**2,387,177**
Total assets		**3,443,160**	**3,848,622**

(Euro thousands)

Liabilities	Note	31/12/2009	31/12/2008
Current liabilities			
Trade payables	6.16	722,130	858,170
Borrowings	6.17	383,666	129,694
Derivative financial instruments	6.23	52	1,405
Retirement benefit obligations	6.18	1,184	6,239
Current income tax liabilities	6.19	10,400	16,781
Other payables	6.20	251,520	270,479
Provisions for other liabilities and charges	6.21	50,236	36,019
Total current liabilities		**1,419,188**	**1,318,787**
Non-current liabilities			
Borrowings	6.22	870,527	1,233,479
Derivative financial instruments	6.23	47,443	19,396
Retirement benefit obligations	6.18	144,412	134,999
Deferred income tax liabilities	6.13	100,897	92,177
Other payables	6.24	8,032	5,139
Provisions for other liabilities and charges	6.21	31,594	34,364
Total non-current liabilities		**1,202,905**	**1,519,554**
Equity			
Share capital		131,000	131,000
Reserves:			
- Currency translation reserve		(33,567)	(46,218)
- Other reserves		639,684	626,709
(Loss)/Profit for the year		(87,623)	78,422
Capital and reserves attributable to group equity holders		*649,494*	*789,913*
Capital and reserves attributable to minority interest		184,802	214,253
(Loss)/Profit attributable to minority interest		(13,229)	6,115
Total minority interest in equity		*171,573*	*220,368*
Total equity		**821,067**	**1,010,281**
Total equity and liabilities		**3,443,160**	**3,848,622**

Consolidated income statement

(Euro thousands)

	Note	2009	2008
Revenue	6.26	4,170,947	4,321,949
Cost of sales	6.27	(2,372,454)	(2,650,334)
Gross profit		**1,798,493**	**1,671,615**
Logistics costs	6.27	(616,104)	(679,526)
Selling costs	6.27	(237,526)	(238,242)
Marketing costs	6.27	(329,605)	(290,020)
Research and development costs	6.27	(26,913)	(24,715)
General and administrative expenses	6.27	(241,124)	(227,814)
Other income and expenses	6.28	(71,252)	7,110
Goodwill impairment loss	6.10-6.27	(252,299)	0
Operating profit		**23,670**	**218,408**
Finance income		(84,915)	(120,034)
Finance costs		45,771	52,163
Finance costs - net	**6.29**	**(39,144)**	**(67,871)**
Profit before income tax		**(15,474)**	**150,537**
Income tax expense	6.30	(85,378)	(84,102)
Profit for the year from continuing operations		**(100,852)**	**66,435**
Profit/(loss) of discontinued operations		**0**	**18,102**
Profit/(loss) for the year		**(100,852)**	**84,537**
Profit/(loss) for the year attributable to minority interest		**(13,229)**	**6,115**
Profit/(loss) for the year attributable to Group equity holders		**(87,623)**	**78,422**

Income statement of discontinued operations[1]

(Euro thousands)

	2009	2008
Revenue	0	213,099
Cost of sales	0	(211,451)
Recurring operating profit	**0**	**1,648**
Finance costs – net	0	(3,875)
Income tax expense	0	2,534
Profit/(loss) of discontinued operations	**0**	**307**
Gain on disposal net of directly attributable costs	0	19,414
Income tax effect	0	(1,619)
Profit/(loss) of discontinued operations	**0**	**18,102**

[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.

Statement of comprehensive income

(Euro thousands)

	Note	2009	2008
Profit (loss) for the year		**(100,852)**	**84,537**
Actuarial gains/(losses) on post employment benefits plans	6.18	(4,347)	850
Cash flow hedge reserve		(19,494)	7,220
Currency translation adjustment		14,370	(38,843)
Income tax effect	6.13	7,194	(1,848)
Total other comprehensive income		**(2,277)**	**(32,621)**
Total comprehensive income/(loss) for the year		**(103,129)**	**51,916**
Of which:			
Income/(loss) attributable to minority interest		**(10,710)**	**505**
Income/(loss) attributable to Group equity holders		**(92,419)**	**51,411**

Statement of changes in equity

(Euro thousands)

	31/12/2007	Appropriation of profit for the year	Dividends	Share capital increase	Transactions with minority interests, disposals and other movements	Total recognized profit for the year	31/12/2008
Share capital	115,280	–	–	15,720	–	0	131,000
Currency translation reserve	(13,827)	–	–	–	–	(32,391)	(46,218)
IAS 19	(3,399)	–	–	–	1,396	958	(1,045)
Cash flow hedge	23,334	–	–	–	–	6,859	30,193
Deferred taxes	(6,780)	–	–	–	(197)	(1,303)	(8,280)
Retained earnings	413,470	72,508	(44,082)	490,595	(325,516)	(1,134)	605,841
Profit for the year	72,508	(72,508)	–	–	–	78,422	78,422
Capital and reserves attributable to group equity holders	**600,586**	**–**	**(44,082)**	**506,315**	**(324,317)**	**51,411**	**789,913**
Minority interest in equity	283,445	33	(322)	–	(63,293)	(5,610)	214,253
Profit attributable to minority interest	33	(33)	–	–	–	6,115	6,115
Total capital and reserves attributable to minority interest	**283,478**	**–**	**(322)**	**–**	**(63,293)**	**505**	**220,368**
Total equity	**884,064**	**–**	**(44,404)**	**506,315**	**(387,610)**	**51,916**	**1,010,281**

	31/12/2008	Appropriation of profit for the year	Dividends	Share capital increase	Transactions with minority interests, disposals and other movements	Total comprehensive income for the year	31/12/2009
Share capital	131,000	–	–	–	–	0	131,000
Currency translation reserve	(46,218)	–	–	–	–	12,651	(33,567)
IAS 19	(1,045)	–	–	–	–	(3,783)	(4,828)
Cash flow hedge	30,193	–	–	–	–	(18,519)	11,674
Deferred taxes	(8,280)	–	–	–	–	7,271	(1,009)
Retained earnings	605,841	78,422	(46,321)	–	(1,679)	(2,416)	633,847
Profit/(loss) for the year	78,422	(78,422)	–	–	–	(87,623)	(87,623)
Capital and reserves attributable to group equity holders	**789,913**	**0**	**(46,321)**	**0**	**(1,679)**	**(92,419)**	**649,494**
Minority interest in equity	214,253	6,115	(37,541)	–	(544)	2,519	184,802
Profit/(loss) attributable to minority interest	6,115	(6,115)	–	–	–	(13,229)	(13,229)
Total capital and reserves attributable to minority interest	**220,368**	**0**	**(37,541)**	**0**	**(544)**	**(10,710)**	**171,573**
Total equity	**1,010,281**	**0**	**(83,862)**	**0**	**(2,223)**	**(103,129)**	**821,067**

Consolidated cash flow statement

(Euro thousands)

	2009	2008
Profit/(loss) before income tax	(15,474)	168,639
Finance costs – net, excluding gains on disposals of equity investments	36,923	67,634
Amortization and depreciation	206,909	207,100
(Profit)/loss on disposal of property, plant and equipment, intangible and financial assets	2,074	(1,930)
Goodwill impairment loss	252,299	0
Loss on disposal of investments	44,151	0
Change in trade receivables/payables	(192,864)	84,345
Change in inventories	42,628	14,578
Change in provisions (including employee provisions)	11,679	(18,618)
Changes in other assets and liabilities	(25,654)	(27,360)
Income taxes paid	(122,151)	(18,829)
Foreign exchange (losses) and other minor differences	7,216	(7,927)
Net cash generated from operating activities (A)	**247,736**	**467,632**
Purchases of property, plant and equipment	(131,384)	(149,006)
Purchases of software	(9,258)	(4,400)
Proceeds from sale of property, plant and equipment	8,766	11,660
Purchases of other intangible assets	(3,034)	(999)
Proceeds from sale of investments or businesses	0	108,311
Proceeds from capital grants	4,135	2,154
(Purchase)/sale of financial assets at fair value	157,600	(145,854)
Acquisition of minority interests	0	(377,610)
Net cash generated from/(used in) investing activities (B)	**26,825**	**(555,744)**
Net change in borrowings	(108,421)	(389,982)
Proceeds from share capital increase	0	506,315
Dividends paid	(68,889)	(184,482)
Interest paid	(38,128)	(62,387)
Net cash used in financing activities (C)	**(215,438)**	**(130,536)**
Net (decrease)/increase in cash and cash equivalents and bank overdrafts (A+B+C)	**59,123**	**(218,648)**
Cash and cash equivalents net of bank overdrafts at beginning of the year	346,911	566,156
Cash and cash equivalents net of bank overdrafts at end of the year	408,077	346,911
Exchange differences on cash and bank overdrafts	(2,043)	597
Net (decrease)/increase in cash and cash equivalents	**59,123**	**(218,648)**
Bank balances	423,842	356,908
Bank overdrafts	(15,765)	(9,997)
Total cash and cash equivalents net of bank overdrafts	**408,077**	**346,911**

Cash flows generated from discontinued operations

(Euro thousands)

	2009	2008
Net cash generated from operating activities	**0**	**44,983**
Net cash generated from investing activities	**0**	**104,988**
Net cash generated from financing activities	**0**	**66,777**

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 the company Guido Maria Barilla e F.lli S.a.p.a. through its subsidiaries CO. FI. BA S.r.l. and Gelp S.p.A.

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) and transition to 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 2008 and for the current year ended 31 December 2009. Comparative amounts for 2008 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 2009.

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 2009.

IFRS have been adopted in Italy and other countries and a significant number of IFRS have recently been published or revised for which no established practices relating to their interpretation and application exist. 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 2009 have been compared with the prior year financial statements (amounts included in brackets in the notes to the financial statements), and comprise of the consolidated balance sheet, consolidated income statement, statement of comprehensive income, statement of changes in equity, consolidated cash flow statement and these notes to the consolidated financial statements. The Group has opted to present the income statement using the classification of expenses by function while 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, internal and third party direct and indirect production labour costs, industrial depreciation and amortization 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 2009

IFRS 8 – "Operating Segments".
IAS 1 Revised – "Presentation of Financial Statements".

Accounting standards, amendments and interpretations effective from 1 January 2009 but not relevant to the Group

Amendment to IFRS 2 – "Share-Based Payment: Vesting Conditions and Cancellations";
IAS 23 Revised – "Borrowing Costs";
Amendments to IFRS 1 and IAS 27 – "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate";
Amendments to IFRIC 9 – "Reassessment of Embedded Derivatives" and IAS 39 – "Financial Instruments: Recognition and Measurement";
IFRIC 18 – "Transfers of assets from customers";
Amendments to IFRS 7 – "Financial Instruments: Disclosures";
Amendments to IAS 39 – "Financial Instruments: Recognition and measurement";
IFRIC 12 – "Service Concession Arrangements";
IFRIC 15 – "Agreements for the Construction of Real Estate" ;
Amendments to IAS 32 – "Financial Instruments: Presentation" and IAS 1 – "Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation".

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

IFRIC 17 – "Distribution of Non-Cash Assets to Owners";
Amendments to IAS 27 - "Consolidated and Separate Financial Statements";
IFRS 1 Revised – "First-time Adoption of IFRS";
Amendments to IFRS 1 – "First time adoption of International Financial Reporting Standards";
Amendments to IFRS 1 – "Additional Disclosures on Financial Instruments";
Amendments to IAS 32 – "Financial Instruments: Presentation";
IFRS 3 Revised – "Business Combinations";
Amendments to IFRS 5 – "Measurement of non-current assets (or disposal groups) classified as held-for-sale";
Amendments to IFRS 2 – "Group cash-settled and share-based payment transactions";
IFRS 9 – "Financial Instruments";
IAS 24 Revised – "Related Party Disclosures";
IFRIC 19 – "Extinguishing Financial Liabilities with Equity Instruments";
IFRIC 14 – "Accounting for Minimum Funding Requirements".

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 recognized or derecognized 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 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 recognized. 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 or sale.

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 by 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 recognized 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 effect 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, by applying suitable valuation techniques that use updated financial variables used by market investors and, where possible, by taking into account the prices of recent transactions on similar 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 intra-group 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 recognized 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; and
- 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 recognized to the income statement.

Intangible assets

Intangible assets with a finite useful life are valued at cost, net of amortization and impairment losses, while those with an indefinite useful life are reviewed annually for impairment. Cost does not include capitalized borrowing costs. Amortization commences from the time 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 con-

tingent liabilities acquired as part of a business combination, is recorded as goodwill and is classified as an intangible asset with an indefinite useful life.

Goodwill is not amortized but is subjected to an annual impairment test. For the purpose of this assessment, goodwill is allocated to groups of cash generating units ("CGU") that generally represent an operating segment (Business Unit). Goodwill impairment losses may not be reversed.

Trademarks and licences

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

Software

The cost of software licences, including other incremental costs, is capitalized and recorded in the Financial Statements net of amortization 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, qualified for capitalization, 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 commercial 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 recognized 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 capitalized 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 equipment acquired under finance leases, whereby all of the risks and rewards relating to the assets are transferred to the Group, are recognized 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 a systematic 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 of 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 recognized as an expense in the income statement. With regard to assets that are not amortized, 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 recognized 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 purchase 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 recognized 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 operating segments. The Group operating segments correspond to the following Business Units: *Meal Solution Business Unit, Bakery Business Unit, North America Business Unit and Number 1 Business Unit*.

Amortized cost method of measuring financial assets and liabilities

The amortized cost method requires 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 to 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; and
(c) Available-for-sale financial assets.

The purchase and sale of financial assets are recognized when the entity becomes party to the contractual provisions of the instrument. They are derecognized 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 amortized cost based on the effective interest rate, net of any impairment losses. Impairment losses on financial assets are recognized 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; and/or
(c) it becomes probable that the borrower will enter bankruptcy or other financial reorganization.

Trade receivables due in less than one year, are measured at fair value, which generally approximates the face value. Securitized 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 recognized as "Payables for advances on the sale of receivables".

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 recognized when the assets are derecognized 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, analyzed 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 recognized in profit or loss – is recognized from equity to profit or loss.

The restatement of the value of financial assets represented by capital instruments, for which an impairment loss was recognized 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 acquired 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 amortized cost applying the effective interest rate. The difference between amortized cost and the amount to be repaid is recognized 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 realizable 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 employee 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 recognized 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, where applicable, 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 the statement of comprehensive income.

(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 recognizes 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 recognized 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 recognized 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 recognized as borrowing costs.

Restructuring provisions are recognized 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 a valid expectation in those affected by the plan that the restructuring will be carried out.

Provisions for tax risks are recognized 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 recognized in the statement of comprehensive income.

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 hedges
Hedging instruments are categorized 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 recognized asset or liability or a highly probable forecast transaction, the gains or losses on the effective portion of the hedging instrument are recognized in the statement of comprehensive income; the ineffective portion of the gain or loss on the hedging instrument is recognized in the income statement. Depending on the nature of the hedge (financial or commodity related) the ineffective portion is classified in either finance in come/ costs on financial transactions or operating income/costs, respectively.

The amounts recognized directly in the statement of comprehensive income are recognized 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 to date will be retained until the hedged item affects profit or loss, and only at that time will it be recognized in the income statement applying the accounting treatment relevant to the hedged item. If the forecast transaction that was subject to the hedge is no longer expected to affect the income statement, the accumulated fair value adjustments are immediately recognized 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 recognized in the income statement. Depending on the nature of the hedge, financial or commodity related, the ineffective portion is classified in either finance income/costs on financial transactions or operating costs/income, respectively.

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 recognized 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 recognized 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; and
- 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 is calculated by applying the effective interest rate.

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

Government grants

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

Finance income and costs

Finance income and costs comprise of 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. Current income taxes are based on the estimate that the Group expects to pay calculated by applying to taxable income the 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 by 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 are expected to apply to the period when the asset is expected to be realized 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 recognized on distribution.

For the purpose of recognizing 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 recognized amounts.

Distribution of dividends

Dividends payable to shareholders are recognized 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 La Bella Easo SA, which operates in the Spanish bakery goods market under the Bella Easo brand.

6. Notes to the consolidated financial statements

Consolidated balance sheet

6.1 Cash, and cash equivalents

Cash and cash equivalents which amounted to Euro 423,842 (Euro 356,908), comprise bank and post office deposit accounts, cheques and other cash on hand.

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

6.2 Trade receivables

	31/12/2009	31/12/2008
Trade receivables	550,152	483,228
Allowance for doubtful accounts	(27,387)	(15,656)
Total	**522,765**	**467,572**

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.

At 31 December 2009 receivables sold without recourse totaled Euro 54,700 (Euro 196,184), which 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 derecognized from the Financial Statements.

The charges to and utilization 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 Utilization 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 analyzed as follows:

	31/12/2009	31/12/2008
Not yet overdue	159,542	107,182
Less than 3 months	53,120	45,152
Between 3 and 6 months	4,044	2,812
Between 6 and 12 months	4,373	6,068
More than 12 months	12,769	10,253
Total	**233,848**	**171,467**

Trade receivables that were not yet overdue and not impaired at 31 December 2009 amounted to Euro 316,304 (Euro 311,761).

Movements in the allowance for doubtful accounts were as follows:

	2009	2008
Opening balance	**15,656**	**19,527**
Charges	15,203	8,932
Utilization	(2,586)	(8,424)
Released	(287)	(874)
Disposals	(576)	(3,346)
Exchange difference	(23)	(159)
Closing balance	**27,387**	**15,656**

Disposals comprise the balances of La Bella Easo, which was sold in September 2009 and GranMilano, which was disposed of last 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 installments and VAT recoverable. These credits may be analyzed as follows:

	31/12/2009	31/12/2008
Income tax	11,290	14,373
VAT	91,176	57,818
Total	**102,466**	**72,191**

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

6.4 Other receivables due from parent company

The balance of Euro 4,078 (Euro 21,673) relates to the amount due from the parent company CO. FI. BA. S.r.l. resulting from the Group's participation in the group consolidated tax regime where CO. FI. BA S.r.l. is the consolidating company.

6.5 Other receivables

Other receivables comprised:

	31/12/2009	31/12/2008
Amounts due from factoring entities	10,412	9,445
Supplier advances	8,875	8,375
Amounts due from employees	2,873	4,494
Amounts due from social security authorities	2,165	2,946
Guarantee deposits	396	806
Other receivables	8,320	22,410
Accrued income and prepayments	18,682	20,972
Total	**51,723**	**69,448**

Other receivables in the previous year comprised the insurance payment due in respect of damages incurred following the fire at the Lieken group factory in Brehna (Germany), which was settled in 2009.

Accrued income and prepayments comprise of prepaid rent and insurance premiums and accrued interest income.

Other receivables are disclosed net of the allowance for doubtful amounts that amounted to Euro 356 (Euro 398).

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

	2009	2008
Opening balance	**398**	**2,666**
Charges	–	38
Utilization	(42)	(2,306)
Closing balance	**356**	**398**

6.6 Inventories

Inventories may be analyzed as follows:

	31/12/2009	31/12/2008
Raw materials and semi-finished goods	144,571	174,429
Finished goods	117,606	132,230
Advances	1,767	905
Total	**263,944**	**307,564**

Movements in the inventory obsolescence may be detailed as follows:

	2009	2008
Opening balance	**12,212**	**15,307**
Charges	4,802	2,598
Utilization	(3,100)	(4,755)
Disposals	–	(904)
Exchange differences	46	(34)
Closing balance	**13,960**	**12,212**

6.7 Financial assets at fair value through profit or loss

The prior year amount of Euro 157,600 principally relates to AAA rated government bonds that matured or were disposed of during the year.

6.8 Assets held for sale

The total principally relates to property, plant and equipment of the Lieken group that are to be disposed of as part of the restructuring plan that is already underway. The increase compared to last year is substantially due to the future sale of a production line of Barilla Harry's France.

The total may be analyzed as follows:

	31/12/2009	31/12/2008
Property, plant and equipment	9,567	8,489
Total	**9,567**	**8,489**

6.9 Property, plant and equipment

The net movement of Euro 76,764 in the net book amounts of property, plant and equipment compared to 31 December 2008, is principally due to additions totaling Euro 131,384, less net disposals of Euro 9,678, the effect of retranslating amounts denominated in foreign currency for Euro 3,887 and the depreciation charge for the year that amounted to Euro 175,914. Furthermore, in the course of the year the total decreased following the disposal of La Bella Easo that is classified under the heading Business disposals.

Mortgages are secured on property, plant and equipment to the value of Euro 106,356 (Euro 158,692).

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 2008							
Net book amounts at 01/01/2008	**94,719**	**493,748**	**757,795**	**99,866**	**21,656**	**65,007**	**1,532,791**
Capital expenditure	–	–	–	–	–	149,006	149,006
Capitalizations	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)
Utilization 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)
Movements during 2009							
Capital expenditure	–	–	–	–	–	131,384	131,384
Capitalizations	–	19,689	75,939	9,208	7,576	(112,412)	–
Grants received	–	(1,384)	(2,685)	(12)	(54)	–	(4,135)
Disposals	(2,460)	(9,570)	(24,394)	(20,867)	(1,324)	(3,619)	(62,234)
Utilization of accumulated depreciation	–	2,879	30,387	17,408	1,882	–	52,556
Depreciation and impairment losses	–	(25,660)	(124,903)	(15,401)	(9,950)	–	(175,915)
Business disposals	(2,471)	(4,230)	(6,253)	(80)	–	–	(13,034)
Reclassified to assets held for sale	–	–	(1,500)	–	–	–	(1,500)
Foreign exchange differences	(276)	(1,753)	(1,684)	7	(124)	(57)	(3,887)
Net book amounts at 31/12/2009	**69,487**	**451,296**	**640,870**	**42,344**	**19,077**	**54,158**	**1,277,232**
Historical cost	70,634	833,981	2,365,390	215,697	143,143	54,158	3,683,003
Accumulated depreciation and impairment losses	(1,147)	(382,685)	(1,724,520)	(173,353)	(124,066)	–	(2,405,771)

Finance leases

The net book amounts of assets held under finance leases amounted to Euro 13,176 (Euro 26,278) and comprised:

	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Total
At 31/12/2009	784	10,109	1,830	6	447	13,176
At 31/12/2008	784	14,551	1,224	30	9,689	26,278

Details of the principal lease contracts outstanding at 31 December 2009 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 May 2011, January and November 2015 for a total net book amount of Euro 9,634.
- Barilla Wasa Deutschland has entered into finance lease contracts for mill that matures in August 2028. The net carrying value at 31 December 2009 amounted to Euro 3,094.

The present value of future lease payments and the related payment period are as follows:

	31/12/2009	31/12/2008
Not later than 1 year	1,401	9,345
Later than 1 year and not later than 2 years	3,741	1,564
Later than 2 years and not later than 3 years	552	676
Later than 3 years and not later than 4 years	475	503
Later than 4 years and not later than 5 years	485	503
Later than 5 years	161	322
Total present value of future lease payments	**6,815**	**12,913**

The decrease compared to 2008 is principally due to the expiry of lease contracts in respect of the transport vehicles of Logi-K GmbH.

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

	31/12/2009	31/12/2008
Total minimum future lease payments	7,268	13,545
Interest	(453)	(632)
Present value of lease payments	**6,815**	**12,913**

Operating leases

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

	31/12/2009	31/12/2008
Not later than one year	50,313	69,330
Later than 1 year and not later than 5 years	119,594	175,558
Later than 5 years	58,043	63,218
Total minimum future lease payments	**227,950**	**308,106**

The principal assets held under operating leases comprise of:

- the Kamps Bakery stores in Germany, with total minimum future lease payments of Euro 159,083, of which Euro 39,769 was due not later than 1 year, Euro 92,194 was due later than one year but not later than five years while the remainder of Euro 27,120 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 23,260, with Euro 2,362 due not later than 1 year, Euro 9,288 due later than one year but not later than five years and the remainder of Euro 11,610 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 94,282, with Euro 15,128 due not later than 1 year, Euro 59,674 due later than one year but not later than five years and the remainder of Euro 19,480 due later than five years. These contracts, entered into by the logistics company Number 1 S.p.A., 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; and
- in Italy rent contracts exist in relation to semitrailers used for logistics activities, for which the total minimum future lease payments amounted to Euro 12,021, of which Euro 2,404 is due not later than 1 year and Euro 9,617 due later than one year but not later than five years.

Total operating lease payments recognized in the income statement amounted to Euro 87,055 (Euro 81,404).

6.10 Goodwill

Movements in goodwill were as follows:

	Goodwill
Movements in 2008	
Opening balance at 01/01/2008	819,302
Increases	–
Business disposals	(32,414)
Foreign exchange differences	(23,835)
Impairment losses	(131)
Total at 31/12/2008	**762,922**
Movements in 2009	
Increases	–
Business disposals	(30,944)
Foreign exchange differences	6,724
Impairment losses	(252,299)
Total at 31/12/2009	**486,403**

Impairment losses were recognized during the year based on the result of the impairment test carried out on the Goodwill allocated to the Lieken groups of cash generating units that identified a fall in the carrying value of the group.

Business disposals reflect the change in scope of consolidation following the sale of La Bella Easo.

The operating segments were redefined this year following the organizational changes that took place in the Group and to comply with the conditions of the new IFRS 8 – Operating Segments.

More specifically, the goodwill originally allocated to the Harry's, Pavesi and Wasa segments was allocated in full to Bakery.

An analysis of goodwill by segment for the purpose of performing impairment tests at 31 December 2009 is summarized in the table below:

Operating Segments – Business Units	Total
Bakery	485,399
Other minor amounts	1,004
Total	**486,403**

The annual impairment test on goodwill is based on estimating the recoverable amount of the groups of cash generating units to which the goodwill is allocated and comparing this 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 utilized to determine value in use cover a five year period plus a terminal value. The plans are prepared in varying details depending on requirements and the relevance of the selected variables, commencing with a series of key macroeconomic indicators (e.g. foreign exchange rates, inflation rates, market assumptions) and economic-financial targets.

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, normalized where necessary.

The qualitative and quantitative content of the plan is approved by Group management. The flows generated by the groups of cash generating units at the end of the plan period correspond to the perpetual return calculated based on the normalized final year of the plan.

In the course of the year the above-mentioned Group reorganization resulted in a change in the business strategy that defined the groups of cash generating units to which goodwill is allocated and identified a decrease in the earnings capacity of the Lieken operating segment that resulted in the recognition of an impairment loss of Euro 252,299 against the goodwill originally allocated to this segment.

The key assumptions used to perform the impairment test at 31 December 2009 were as follows:

Operating Segments – Business Units	Discount rate	Growth rate
Bakery	6.0%	2.0%
Lieken	6.9%	0.5%

Based on the above assumptions, the recoverable value of the Bakery segment is significantly higher than the carrying value.

The impact of fluctuations in exchange rates on goodwill denominated in foreign currencies, comprising Russian Roubles, Swedish Krona and Norwegian Krones, amounted to positive Euro 6,724.

6.11 Other intangible assets

Other intangible assets consisted of the following:

	Licenses and software	Trademarks	Other	Assets under construction	Total
Movements in 2008					
Opening balance at 1/1/2008	**27,544**	**209,384**	**2,015**	**10,929**	**249,872**
Acquisitions and capitalizations	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)
Amortization	(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 amortization and impairment losses at 31/12/2008	(35,923)	(247,443)	(21,219)	–	(304,585)
Movements in 2009					
Acquisitions and capitalizations	10,253	1,087	77	1,349	12,766
Business disposals	(43)	–	–	–	(43)
Disposals	(106)	(293)	(75)	–	(474)
Foreign exchange differences	(9)	17	1	–	9
Amortization	(11,461)	(20,469)	(54)	–	(31,984)
Total at 31/12/2009	**26,992**	**170,565**	**1,614**	**4,738**	**203,909**
Of which:					
Historical cost	71,158	440,833	22,690	4,738	539,419
Accumulated amortization and impairment losses at 31/12/2009	(44,166)	(270,268)	(21,076)	–	(335,510)

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, and Alixir) have not been recognized 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.

No impairment losses on intangible assets were recognized during the year.

The decrease in intangible assets is due to the sale of La Bella Easo that has been classified in Disposals.

6.12 Trade and other receivables

Other non-current receivables comprised:

	31/12/2009	31/12/2008
Guarantee deposits	1,257	973
Other non-current assets	6,455	6,932
Total	**7,712**	**7,905**

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 recognized separately in the balance sheet and are 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 recognized where it is probable that sufficient future taxable profits will be earned to allow recovery of these assets.

Deferred income taxes have not been recognized 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 analyzed by the balance sheet headings on which they arise are illustrated in the table below:

	At 31/12/2008	Reversals/charges through income statement	Impact on equity	Business disposals	Foreign exchange impact	At 31/12/2009
Property, plant and equipment	(69,494)	1,068	–	1,989	20	(66,417)
Leasing	(7,141)	448	–	–	(3)	(6,696)
Intangible assets	2,067	(555)	–	–	(3)	1,509
Inventories	(8,650)	6,605	–	12	(7)	(2,040)
Spare parts	8,049	(1,393)	–	(20)	–	6,636
Financial liabilities and derivatives	(13,049)	1,746	5,573	–	–	(5,730)
Provisions for other liabilities and charges	7,190	3,033	-	–	3	10,226
Pension funds	(2,581)	1,532	1,621	–	38	610
Tax losses carried forward	4,938	15,271	–	–	(976)	19,233
Other	1,518	3,504	–	–	(124)	4,898
Total	**(77,153)**	**31,259**	**7,194**	**1,981**	**(1,052)**	**(37,771)**
Deferred income tax assets	**15,024**					**63,126**
Deferred income tax liabilities	**(92,177)**					**(100,897)**
Total	**(77,153)**					**(37,771)**

Business disposals comprise the sale of La Bella Easo.

6.14 Available-for-sale financial assets

Available-for-sale financial assets principally comprise of equity investments in BRW S.p.A. and Bart's Retail B.V., amounting to Euro 1,109 and Euro 500 respectively, in which the holding in share capital or voting rights is less than 20%, and other non-current financial assets that total Euro 1,788 (Euro 1,748).

The Group does not exercise a significant influence on BRW S.p.A., despite holding interests 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.

6.15 Financial receivables

Financial receivables amounting to Euro 23,700 (Euro 21,920) comprise of 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.

6.16 Trade payables

Trade payables, which amounted to Euro 722,130 (Euro 858,170), 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 total includes Euro 671 (Euro 697) due to BRW S.p.A.

The balance comprises of amounts due to co-packers, which are governed by medium/long-term supply contracts negotiated at arm's length, which do however establish guaranteed minimums that are disclosed in contractual commitments for finished goods supplies.

6.17 Borrowings

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

	31/12/2009	31/12/2008
Bank overdrafts and the short-term portion of leasing obligations	18,755	50,196
Current portion of long-term bank loans	364,911	77,542
Current portion of other loans	–	1,956
Total borrowings	**383,666**	**129,694**

Bank overdrafts and the short-term portion of leasing obligations comprise of bank overdrafts amounting to Euro 15,765 (Euro 9,997), the short-term portion of amounts due to leasing companies of Euro 1,401 (Euro 9,345) and the short-term portion of the loan due to leasing companies of the Lieken group that totaled Euro 1,589 (Euro 2,952). The previous year balance also included amounts due to factoring companies of Euro 27,902.

The current portion of long-term bank loans includes a portion of the syndicated loan amounting to Euro 308,624 (Euro 58,546), debenture loans of Euro 53,806 (Euro 0), other non-guaranteed bank loans of Euro 2,380 (Euro 9,841), and other loans guaranteed on assets of Euro 101 (Euro 9,155).

The current portion of the syndicated loan amounting to Euro 60,000 was repaid in July 2009.

The carrying value of short-term borrowings approximates their fair value.

6.18 Retirement benefit obligations

Retirement benefit obligations comprise of 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 145,595 (Euro 141,238), of which amounts due within one year are Euro 1,184 (Euro 6,239) and due after more than one year are Euro 144,411 (Euro 134,999).

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 separated into 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.

Equivalent plans and pension schemes relate to companies operating in France, Greece, Germany, Sweden, Turkey, Norway, Mexico, Switzerland and the United States.

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 of 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 favor of the spouse.
- United States: *"Post-retirement medical plan"*. This plan provides medical cover (by type of medical expense) for retired employees aged between 55 and 65 that provided at least 10 years service and to their family members. Cover for spouses is provided up until the age of 65.

The retirement benefit obligations are determined by 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 2009 using the projected unit credit method, under which the present value of future retirement obligations is determined.

	31/12/2009	31/12/2008
Opening balance	**141,238**	**154,904**
Services costs	4,212	2,254
Finance costs	7,148	7,768
Actuarial (gains)/losses	4,347	(850)
Exchange differences for the year	967	(787)
Benefits paid	(12,316)	(13,436)
Disposals	–	(8,615)
Closing balance	**145,596**	**141,238**
Of which:		
- Due within one year	**1,184**	**6,239**
- Due after one year	**144,412**	**134,999**

Services costs relate to the charges for the year.

Actuarial losses were recorded in 2009, which is due to the general fall, albeit with some exceptions, in the discount rate applied to the various plans.

The adjustments included in Actuarial (gains)/losses are due to the changes in historical assumptions which are summarized below:

Gains/(losses)	31/12/2009	31/12/2008
Historical adjustments to assets	16	429
Historical adjustments to liabilities	1,586	(3,140)

A portion of the amounts due to employees totaling Euro 32,199 (Euro 30,751) is offset by plan assets of Euro 5,091 (Euro 4,575).

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

2009	Discount rate	Expected rate of return on plan assets	Estimated salary growth	Inflation rate
Italy	4.70%	na	3.15%	2.00%
Germany	4.50-5.50%	4.00%	2.50%	2.00%
France	4.50-5.50%	5.00%	2.50%	2.00%
Greece	5.10%	na	4.00%	2.50%
Mexico	8.25%	na	3.50%	4.25%
Norway	4.50%	5.70%	4.50%	2.25%
Sweden	3.75%	na	3.00%	2.00%
Turkey	11.00%	na	4.80%	4.80%
Switzerland	3.25%	3.40%	6.10%	2.00%
United States	6.16%	na	na	na

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%

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

	31/12/2009	31/12/2008
Cost of sales	6,429	5,354
Logistics costs	519	466
Selling costs	1,448	1,320
Marketing costs	206	436
General and administrative expenses, technical and development costs	2,758	2,446
Total	**11,360**	**10,022**

6.19 Current income tax liabilities

Current income tax liabilities amounted to Euro 10,400 (Euro 16,781) and comprise of the provision for current taxes on profit for the year.

With regard to the Italian entities that participate in the group consolidated 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 S.r.l. under the group taxation regime.

6.20 Other payables

Other payables consisted of the following:

	31/12/2009	31/12/2008
Amounts due to parent companies	52,723	55,531
Amounts due to employees	112,106	117,435
Social security payables	26,733	24,147
Withholding taxes from employees, consultants and freelance workers	13,240	14,816
VAT payable	5,690	1,826
Other taxes	3,809	3,926
Amounts due to customers	6,046	8,003
Other payables	18,069	24,946
Accruals and deferred income	13,105	19,849
Total	**251,520**	**270,479**

Amounts due to parent companies comprise of the balances due under the group taxation regime.

Accruals and deferred income largely relate to accrued interest payable.

The fair value of other payables 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:

	31/12/2008	Charges	Decreases/Utilization/ Reclassification	Business disposals	Foreign exchange difference	31/12/2009
Employee risk provision	8,942	6,754	(2,144)	(6)	29	13,575
Restructuring provision	22,779	6,396	1,140	–	–	30,315
Tax risk provision	4,327	1,540	(2,077)	–	35	3,825
Premium dealing risk	2,579	186	(2,587)	–	–	178
Contractual risk provision	17,000	–	(549)	–	–	16,451
Returns and unsold goods provision	3,308	170	(116)	–	–	3,362
Revocatory provision	4,060	1,800	(1,301)	–	–	4,559
Litigation provision	2,885	1,050	(786)	–	–	3,146
Other provisions	4,503	2,172	(256)	–	(3)	6,419
Total	**70,383**	**20,068**	**(8,676)**	**(6)**	**61**	**81,830**
Of which:						
Due within one year	**36,019**	–	–	–	–	**50,236**
Due after more than one year	**34,364**	–	–	–	–	**31,594**

The employee risk provision and the restructuring provision have been recognized in relation to reorganization programs 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 or reversed following settlement of tax assessments.

The contractual risk provision principally relates to unsettled claims against the Group.

6.22 Borrowings
Medium/long-term borrowings may be analyzed as follows:

	31/12/2009	31/12/2008
Bonds	187,834	249,560
Bank borrowings and long-portion of leasing obligations	682,693	983,919
Total	**870,527**	**1,233,479**

Bank borrowings include the medium/long-term portion of loans due to leasing companies of the Lieken group, which amounted to Euro 27,339 (Euro 27,383).

The most significant portion of medium/long-term bank borrowings comprises of Euro 649,298 (Euro 948,269) 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. 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 of the Groupnet financial position to EBITDA.

The Group voluntarily cancelled Euro 250 million of the multi-tranche credit facility in order to reduce excess liquidity and mitigate the related risks. The amount was reclassified under the heading 6.17 Borrowings.

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 31/12/2009	Carrying value (amortized cost)
Term Loan (A1)	July 2012	540,000	540,000	534,203
Revolving Credit Facility (A2)	July 2012	683,000	0	0
Term Loan (B)	December 2012	467,000	434,000	423,719
Total		**1,690,000**	**974,000**	**957,922**

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	187,834	–	187,834
Bank borrowings and leasing obligations	662,120	20,573	682,693
Total medium/long-term bank borrowings	**849,954**	**20,573**	**870,527**

An analysis of bank borrowings, including derivative financial instruments, by maturity date and type of interest rate is as follows:

Borrower	Description	Interest rate	At 31/12 2009	Maturity
Barilla Holding	Syndicated loan	Variable	957,922	2010-2012
Barilla Finance	Bond (including Cross currency and interest rate swaps)	Fixed	289,084	2010-2015
Barilla G.e R. Fratelli group	Banks	Variable	18,312	2010-2013
Barilla G.e R. Fratelli group	Banks - Loans guaranteed on property, plant and equipment	Fixed	101	2010
Barilla G.e R. Fratelli group	Leasing companies	Fixed	6,815	2010-2028
Barilla G.e R. Fratelli group	Derivative financial instruments	–	52	2010
Lieken group	Banks	Variable	474	2010
Lieken group	Banks (vehicles leasing)	Fixed	28,928	1/1/2018 - 1/1/2022
Total bank borrowings due within one year and after more than one year			**1,301,688**	

Borrowings due within one year and after more than one year are denominated in the following currencies:

Currency	Carrying value 2009	Carrying value 2008
Euro	1,005,653	1,103,800
USD (American Dollar)	291,999	277,391
Other minor currencies	4,036	2,783
Total borrowings due within one year and after more than one year	**1,301,688**	**1,383,974**

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

Period	Carrying value 2009	Carrying value 2008
Within 1 year	1,044,844	1,063,917
1 to 5 years	161,173	201,581
Over 5 years	95,671	118,476
Total borrowings due within one year and after more than one year	**1,301,688**	**1,383,974**

The effective interest rates on borrowings amounted to 2.6% (2008 - 5.6%).

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.

Details of outstanding bonds are summarized below (including the current portion):

	Nominal value in currency (thousands)	Nominal coupon in $	Maturity	Carrying value (amortized cost)	Hedging transaction		Effective interest rate in Euro
					Nominal value in Euro	Fixed annual rate paid half-yearly	
Senior Notes – Tranche A	$ 78,000	4.83%	9 Dec. 2010	53,806	66,724	3.45%	3.55%
Senior Notes – Tranche B	$ 180,000	5.55%	9 Dec. 2013	124,029	153,978	4.15%	4.25%
Senior Notes – Tranche C	$ 92,000	5.69%	9 Dec. 2015	63,805	78,700	4.10%	4.19%
Total notes	**$ 350,000**			**241,640**	**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 totaling Euro 1,690,000 that mature in 2012. At 31 December 2009, undrawn credit facilities amounted to Euro 716,000.

Financial covenants and other contractual obligations

The bonds issued and undersigned borrowing contracts (the "Loans") require compliance with a series of contractual obligations and financial covenants (the "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

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

Other restrictions and contractual obligations

- Change of control of Barilla Holding S.p.A. 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); and
- Utilization of gains on disposals, acquisition policies and dividends (except where permitted contractually).

Default events (loss of benefits arising from the terms)

Principal default events, which are not applied to minor Group companies, are summarized as follows:

- Failure to repay loan installments;
- 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; and
- significant change in the Group's business.

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

	31/12/2009		31/12/2008	
	Assets	Liabilities	Assets	Liabilities
Cash flow hedge - Cross currency and interest rate swap	–	47,443	–	19,396
Held for trading - Interest rate cap	2	–	27	–
Total non-current portion	**2**	**47,443**	**27**	**19,396**
Held for trading - Forward exchange contracts	903	40	–	1,070
Held for trading - Derivatives on commodities	–	12	–	335
Total current share	**903**	**52**	**–**	**1,405**
Total derivative financial instruments	**905**	**47,495**	**27**	**20,801**

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

	2009		2008	
	Gross reserve	Tax effect	Gross reserve	Tax effect
Opening balance	**31,780**	**(9,086)**	**24,561**	**(7,277)**
Change in fair value	(28,047)	8,019	20,736	(5,928)
Exchange difference recognized in income statement	16	(5)	(14,005)	4,004
Ineffective portion recognized in profit or loss	8,537	(2,441)	488	(140)
Impact of change in tax rates	–	–	–	255
Closing balance	**12,286**	**(3,513)**	**31,780**	**(9,086)**
Of which attributable to the Group	11,674	(3,337)	30,193	(8,632)

The cash flow hedge reserve includes the effective portion of interest rate hedges.

The notional value of the Cross Currency and Interest Rate Swap contracts at 31 December 2009 was Euro 299,402 (Euro 299,402), while the fair value was Euro 47,443 (Euro 19,396).

The financial risk management policy is disclosed in note 7.

6.24 Other payables

Other payables that amounted to Euro 8,032 (Euro 5,139) largely represent the liability in respect of social contributions.

6.25 Capital and reserves attributable to Group equity holders

Share capital

Fully paid share capital at 31 December 2009 comprised of 13,100,000 ordinary shares with a nominal value of Euro 10 each, consisting of 11,790,000 ordinary shares and 1,310,000 B shares. 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 the related share premium and may not be lower than the dividend assigned to ordinary 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.

In the AGM held on 27 April 2009 the shareholders approved the distribution of a dividend from the extraordinary reserve amounting to a total dividend of Euro 241,681,900 to be allocated as follows:

- to 1,310,000 B shares, having priority rights in the distribution of profits, a dividend of Euro 19.88 per share equal to a total of Euro 26,042,800;
- to 11,790,000 ordinary shares a dividend of Euro 18.29 per share amounting to a total dividend of Euro 215,639,100.

The full amount of the dividends of Euro 26,042,800 payable in respect of B shares was paid on 23 July, while a dividend of Euro 0.45 per share was paid to the ordinary shareholders corresponding to a total of Euro 5,305,500.

The shareholders' meeting of 15 December 2009 approved the partial revision of the resolution passed on 27 April regarding the dividend distribution and approved a reduction in the total dividend from Euro 241,681,900 to Euro 46,321,600 to be allocated as follows:

- to 1,310,000 B shares, having priority rights in the distribution of profits, a dividend of Euro 19.88 per share equal to a total of Euro 26,042,800, which has already been paid;
- to 11,790,000 ordinary shares a dividend of Euro 1.72 per share amounting to a total dividend of Euro 20,278,800, of which Euro 5,305,500 has already been paid and Euro 14,973,300 will be paid by the end of January 2010 and are recognized in these Financial Statements under the heading amounts due to parent companies.

At the time of preparation of these Financial Statements, this liability had been settled following payment of the dividend on 11 January 2010.

Commitments and guarantees

Contractual commitments at the year end that are not recognized in the Financial Statements amounted to Euro 585,895 (Euro 593,113) and comprise:

- commitments for finished goods purchases, wheat, other raw materials and packaging for Euro 539,060 (Euro 548,480);
- commitments for capital expenditure for Euro 2,577 (Euro 3,067);
- commitments for energy purchases for Euro 44,258 (Euro 41,566).

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 analyzed as follows:

	31/12/2009	31/12/2008
Total sales of finished goods	3,945,527	4,072,501
Sales of by-products	24,717	34,177
Sales of packaging and other materials	19,583	33,221
Revenue from product distribution and franchising services	181,120	182,050
Total	**4,170,947**	**4,321,949**

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:

	31/12/2009	31/12/2008
Purchase of raw materials, semi-finished goods, finished goods, materials and change in inventories	1,525,043	1,816,681
Purchase of other materials	44,130	57,818
Employee costs	778,394	786,067
Depreciation of property, plant and equipment and amortization of intangible assets	206,909	207,100
Goodwill impairment	252,299	–
Transport and warehousing services	386,901	421,601
Promotional and advertising services	264,350	245,214
Maintenance costs	77,082	57,515
Services	44,180	51,623
Consultancy costs	46,724	40,781
Third party manufacturing costs	101,678	91,596
Sales commissions	42,494	38,989
Utilities	132,484	130,638
Travel and expenses	20,342	20,951
Property leases, rentals and operating leases	87,055	81,404
Directors' and statutory auditors' emoluments	8,656	8,891
Insurance	13,425	11,548
Other taxes	10,678	10,384
Employee training costs	3,688	3,300
Postage and telephone expenses	9,660	9,103
Customs duties	3,992	1,181
Other	15,861	18,266
Total	**4,076,025**	**4,110,651**

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

	31/12/2009	31/12/2008
Cost of sales	140,532	133,406
Logistics costs	14,277	20,274
Selling costs	9,452	9,450
Marketing costs	107	144
General and administrative expenses, technical and development costs	42,541	43,826
Total	**206,909**	**207,100**

Part of the depreciation charge for the year amounting to Euro 1,125 has been reclassified in other income and expenses as it principally relates to the impairment of the production line reclassified in the balance sheet under Assets held for sale.

6.28 Other income and expenses

Other income and expenses comprised:

	31/12/2009	31/12/2008
Income and expenses from continuing operations		
Gains/(losses) - net on asset disposals of property, plant and equipment	(2,074)	1,962
Insurance repayments	1,563	12,260
Net charges to/utilization of provisions	(5,732)	2,869
Charge to allowance for doubtful accounts	(15,216)	(8,745)
Property and other taxes	(5,879)	(4,864)
Third party donations on behalf of employees	(5,024)	(2,692)
Membership fees	(1,833)	(2,057)
Employee incentives	(9,103)	(8,333)
Income/(expenses) relating to other accounting periods	4,408	3,721
Bank commission	(2,244)	(1,012)
Net services rendered and other minor amounts	14,033	18,942
Total income/(expenses) from continuing operations	**(27,101)**	**12,051**
Insurance recovery on property, plant and equipment	2,293	5,669
Net restructuring expenses	137	(4,910)
Net expenses arising on disposal of investments and businesses	(46,621)	–
Other expenses	40	(5,700)
Total income and expenses from discontinued operations	**(44,151)**	**(4,941)**
Total other income and expenses	**(71,252)**	**7,110**

The balance of the previous year increased following the reclassification of Euro 10,511 to General and administrative expenses in order to better present the amounts disclosed in the financial statements.

Net restructuring expenses include employee costs, impairment losses recognized on the plant and other overheads relating to restructuring plans that are currently underway.

Net expenses arising on disposal of investments and businesses relates to the sale of La Bella Easo.

6.29 Finance costs - net

Finance costs – net consisted of the following:

	31/12/2009	31/12/2008
Net costs relating to the net financial position		
Interest income on bank current accounts	2,563	7,367
Interest income and income on financial operations	9	123
Interest income – discontinued operations	–	3,071
Interest expense on short-term bank borrowings	(1,093)	(5,821)
Interest expense on medium/long-term borrowings	(14,906)	(57,803)
Interest expense on bonds	(12,500)	(12,914)
Interest expense on finance leases	(2,185)	(1,053)
Commissions on subscription and draw down of irrevocable credit facilities	(3,632)	(3,575)
Income from securities	958	751
Total net finance costs relating to the net financial position	**(30,786)**	**(69,854)**
Other finance income/(costs)		
Remeasurement of loans	(5,697)	15,639
Foreign exchange gains/(losses)	(4,030)	(8,062)
Commissions on undrawn amounts	(850)	(1,708)
Other income and costs	2,559	1,911
Gains/(losses) on change in fair value of financial assets	(338)	(398)
Impairment losses on available-for-sale financial assets	(2)	(5,399)
Total other finance income/(costs)	**(8,358)**	**1,983**
Total finance costs - net	**(39,144)**	**(67,871)**

Around half of the net costs relating to the net financial position consist of the Interest expense on medium/long-term bank borrowings that solely represent the syndicated loan entered into in 2007. This amount has fallen significantly compared to the previous year (from Euro 57.8 million to Euro 14.9 million, down 74%) due to the fall in variable rates (in the same period the Euribor 3 month rate fell from 4.6% to 1.2%, following the ECB's monetary policy that reduces the base rate to 1%). The Interest expense on short-term borrowings has fallen in the same percentage terms.

The Interest expense on fixed rate bonds is in line with the previous year.

Remeasurement of loans represents the fall in carrying value of the multi-tranche syndicated loan due to improvements in forecast future cash flows, which are not attributable to market fluctuations, compared to the initial calculation to determine the effective interest rate on the syndicated loan.

Improvements in future cash flows are principally due to application of a smaller spread as a result of improved profitability and cash flows generated by the Group.

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

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

	31/12/2009	31/12/2008
Net realized exchange gains/(losses) – commercial and financial	(1,809)	(7,857)
Net unrealized exchange gains/(losses) – commercial and financial	(2,221)	(205)
Total net exchange gains/(losses)	**(4,030)**	**(8,062)**

6.30 Income tax expense

The total charge of Euro 85,378 (Euro 84,102) comprises of current taxes of Euro 116,637 (Euro 89,525) and deferred income taxes of Euro -31,259 (Euro –5,423).

The reconciliation between the theoretical tax charge and the tax charge in the Financial Statements is provided below.

The effective tax rate on profit before income tax, net of non-recurring costs that largely relate to business disposals and goodwill impairment, amounts to 30.1% (55.9%).

	Year ended 31 December 2009
Profit before income tax	(15,474)
Theoretical tax charge	(6,442)
Unrecognized deferred tax assets	8,042
Difference in taxable income for IRAP (trade income tax) purposes	8,533
Net non deductible expenses/(income) (not subject to tax)	140,818
Use of deferred tax assets not recognized in prior periods and remeasurement of deferred taxes	(65,572)
Effective tax charge	85,378

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 impairment loss recognized on goodwill that is not deductible for tax purposes.

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	26.30%	**Other**	**Rate**
France	34.43%	Russia	20.00%
Austria	25.00%	Brazil	34.00%
Turkey	20.00%	Mexico	28.00%
Greece	25.00%	Australia	30.00%

Tax losses carried forward and unrecognized deferred income tax assets are summarized as follows:

(Euro thousands)

Company	Tax losses	Period for wich losses may be carried forward	Rate %	Recognized deferred income tax assets	Unrecognized deferred income tax assets
Academia Barilla	15,017	Unlimited	27.50%	–	4,130
Barilla America Inc.	90,952	10 years	40.00%	15,084	–
Barilla America NY	10,115	10 years	40.00%	–	4,046
Barilla Do Brazil	2,454	Unlimited	34.00%	526	308
Wasa Sweden	20,893	Unlimited	26.30%	3,623	1,872
Harry's Management Services	4,726	Unlimited	28.00%	–	1,323
Zao Kondi	61	10 years	20.00%	–	12
Harry's Cis Russia	31,707	10 years	20.00%	–	6,341
Total	**175,924**			**19,233**	**18,032**

The decrease in unrecognized deferred income tax assets compared to the previous year (Euro 262,126) is principally due to changes in the Group structure.

7. Financial instruments and net financial position

Risk management policies

The Group's activities expose it to a variety of financial risks, including: 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 minimize 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 interest 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 2009 approximately 42% (39%) 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/-0.25% 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:

	2009		2008	
Income/charge – (cost/increase)	+0,5%	–0,25%	+0,5%	–0,5%
Post tax impact on income statement	(2,051)	1,028	(1,644)	1,660
Post tax impact on total equity*	623	(318)	179	(183)

* 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 2009 and 2008.

(ii) Foreign exchange risk

As the Group operates 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 analysis included receivables and payables denominated in foreign currencies and derivative financial instruments.

At 31 December 2009 and 2008 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:

	2009		2008	
Income/charge – (cost/increase)	+10%	–10%	+10%	–10%
Post-tax impact (income statement and total equity)	(5,452)	5,832	(1,383)	1,755

(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 fulfill 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 utilizes credit limits that are regularly monitored.

Insurance policies have been entered into in respect of 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 exposure limits for each bank (that evolves continuously depending on the rating, the level of Credit Default Swaps and market information).

(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 2009, the Group held undrawn credit facilities maturing in 2012 of approximately Euro 716,000 in addition to cash and cash equivalents in excess of Euro 400 million.

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 2009				
Borrowings with banks, other lenders and finance leases	416,227	954,461	20,582	1,391,270
Derivative financial instruments through profit or loss	52	–	–	52
Trade and other payables	984,050	8,032	–	992,082
Total	**1,400,329**	**962,493**	**20,582**	**2,383,404**

	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**	**2,766,594**

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:

31/12/2009	Financial assets at fair value through profit or loss	Receivables and financial receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Hedging derivatives	Fair value
Available-for-sale financial assets not quoted on an active market	–	–	1,778	–	–	–	na
Derivatives (assets)	905	–	–	–	–	–	905
Trade and other receivables	–	688,749	–	–	–	–	688,749
Cash, bank and postal accounts	–	423,842	–	–	–	–	423,842
Borrowings with banks and other lenders	–	–	–	–	1,254,193	–	1,290,154
Trade payables	–	–	–	–	722,130	–	722,130
Other payables	–	–	–	–	269,952	–	269,952
Derivatives (liabilities)	–	–	–	52	–	47,443	47,495
Total	**905**	**1,112,591**	**1,778**	**52**	**2,246,275**	**47,443**	–

31/12/2008	Financial assets at fair value through profit or loss	Receivables and financial receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Hedging derivatives	Fair value
Available-for-sale financial assets not quoted on an active market	–	–	1,749	–	–	–	na
Derivatives (assets)	27	–	–	–	–	–	27
Securities held for trading	157,600	–	–	–	–	–	157,600
Trade and other receivables	–	638,789	–	–	–	–	638,789
Cash, bank and postal accounts	–	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**	

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; and
- 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 recognized 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, bank, and postal accounts, and securities classified as financial assets at fair value through profit or loss. The net indebtedness of the Group at 31 December 2009 amounted to Euro 876,941 compared to Euro 869,439 in 2008, which included the foreign exchange and interest rate derivates that are measured at marked-to-market.

Derivates 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 value of Euro 12 (negative Euro 335 in 2008).

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

	31/12/2009	31/12/2008
Cash, bank and postal accounts	423,842	356,908
Current financial assets at fair value	903	157,600
Banks and other borrowings (including derivative liabilities)	(383,718)	(131,099)
Short-term net financial position	**41,027**	**383,409**
Non-current financial assets at fair value	2	27
Borrowings (including derivative liabilities)	(917,970)	(1,252,875)
Medium/long-term net financial position	**(917,968)**	**(1,252,848)**
Total net financial position	**(876,941)**	**(869,439)**

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 normalized in order to exclude non-recurring items.

This ratio at 31 December 2009 and 31 December 2008 was as follows:

	31/12/2009	31/12/2008
Net financial position	876,941	869,439
EBITDA	527,030	444,466
EBITDA/net financial position ratio	1.66	1.96

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:

(Euro thousands)

	2009	2008
Short-term benefits	20,349	19,997
Post-employment benefits	539	779
Other long-term benefits	5,566	4,157
Total	**26,454**	**24,933**

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 2009 amounted to Euro 7,006.

The remuneration of the Board of Statutory Auditors of Barilla Holding in relation to Group engagements amounted to Euro 340 in total in 2009.

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 (Luxembourg) Financial company	Euro	150,000	95.000	95.000 Barilla Holding Società per Azioni
BAFIN S.p.A. Via Mantova, 166 - Parma (Italy) Financial company	Euro	236,300,000	100.000	100.000 Barilla Holding Società per Azioni
Barilla Iniziative S.r.l. & Co. KG Prinzenallee, 13 - Düsseldorf (Germany) Financial company	Euro	100,000	85.000	85.000 Barilla Holding Società per Azioni
Barilla Iniziative S.r.l. Via Mantova, 166 - Parma (Italy) Financial company	Euro	101,000,000	85.000	85.000 Barilla Holding Società per Azioni
Logi-K S.r.l Via Mantova, 166 - Parma (Italy) Services company	Euro	10,000	85.000	100.000 Barilla Iniziative S.r.l.
Finba Bakery Holding GmbH Prinzenallee, 11 - Düsseldorf (Germany) Financial company	Euro	25,000	85.000	100.000 Barilla Iniziative S.r.l.
Finba Bakery Europe AG Prinzenallee, 11 - Düsseldorf (Germany) Financial company	Euro	50,000	85.000	100.000 Finba Bakery Holding GmbH
Lieken AG Prinzenallee, 11 - Düsseldorf (Germany) Financial company	Euro	83,505,255	85.000	6.000 Barilla Iniziative S.r.l. & Co. KG 94.000 Finba Bakery Europe AG
Logi-K GmbH Auf'm Halskamp, 11 - Garrel (Germany) Distributive logistic services	Euro	100,000	85.000	100.000 Lieken AG
Lieken IT Service GmbH Auf'm Halskamp, 11 - Garrel (Germany) Services company	Euro	25,565	85.000	100.000 Lieken AG
Kamps GmbH Auf dem Mutzer, 11 - Schwalmtal (Germany) Production and trade	Euro	520,000	85.000	100.000 Lieken AG
Quality Bakers Holding NV Bunschoten (Netherlands) Financial company	Euro	3,359,023	85.000	100.000 Barilla Iniziative S.r.l.
Quality Bakers B.V. Reeuwijkse Poort, 215 - Reeuwijk (Netherlands) Production and trade	Euro	2,724,000	85.000	100.000 Quality Bakers Holding NV
Lieken Brot- und Backwaren GmbH Auf'm Halskamp, 11 - Garrel (Germany) Production and trade	Euro	535,000	85.000	100.000 Lieken AG
Scherpel GmbH Ostendstr, 8 - Pfungstadt (Germany) Production and trade	Euro	11,248,421	85.000	100.000 Lieken Brot- und Backwaren GmbH
Zimmermann GmbH Max-Planck-StraBe, 20-22 - Erkrath (Germany) Production and trade	Euro	50,000	85.000	100.000 Lieken Brot- und Backwaren GmbH

Company, headquarter and activity	Currency	Share Capital	% Group ownership	Through
Linda Grundstücksvewaltungsgesellschaft Gmbh Munich (Germany) Leasing	Euro	25,564		de facto control. Lieken AG
Silur Grundstuecks-Vermietungsgesellschaft mbH & Co. KG Düsseldorf (Germany) Leasing		–		de facto control. Lieken AG
Kornmark GmbH Auf'm Halskamp, 11 - Garrel (Germany) Production and trade	Euro	25,000	85.000	100.000 Lieken Brot- und Backwaren GmbH
Julia Grundstuecksverwaltungsgesellschaft mbH & Co. Vermietungs-KG Mannheim (Germany) Leasing	Euro	10,000		de facto control. Lieken AG
Nexus Grundstuecksverwaltungsgesellschaft mbH & Co. Vermietungs-KG Mainz (Germany) Leasing	Euro	26,000		de facto control. Lieken AG
Degemakro Grundstuecksverwaltungs GmbH & Co. Immobilien-Vermietungs-KG Eschborn (Germany) Leasing	Euro	1,000		de facto control. Lieken AG
Barilla G. e R. Fratelli Società per Azioni Via Mantova, 166 - Parma (Italy) Production and trade	Euro	180,639,990	85.000	100.000 Barilla Iniziative S.r.l.
Barilla Servizi Finanziari S.p.A. Via Mantova, 166 - Parma (Italy) 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 (Italy) 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 (Italy) Trade	Euro	5,000,000	85.000	100.000 Barilla G. e R. Fratelli Società per Azioni
F.I.R.S.T. Commerciale S.r.l. Via Mantova, 166 - Parma (Italy) Trade	Euro	10,000	85.000	100.000 F.I.R.S.T. Retailing S.p.A.
Misko Pasta Manifacturing A.E. 26 Pappou & Akragantos Str. - Athens (Greece) 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 - São Paulo (Brasil) 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 (Japan) Trade	JPY	10,000,000	85.000	100.000 Barilla G. e R. Fratelli Società per Azioni
Barilla Austria GmbH Grabenweg, 64 - 6020 Innsbruck (Austria) Trade	Euro	436,000	85.000	100.000 Barilla G. e R. Fratelli Società per Azioni

Company, headquarter and activity	Currency	Share Capital	% Group ownership	Through
Barilla Mexico S.A. de C.V. Calzada San Bartolo Naucalpan, 360 Col. Argentina Poniente Deleg. Miguel Hidalgo, 11230 Mexico City (Mexico) Production and trade	MXN	227,348,096	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 Mexico City (Mexico) Production and trade	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 (Italy) 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 Merzeki, 11 Eski Buyukdere Caddesi, n. 1 B Blok Kat 9 Maslak - Istanbul (Turkey) Production	TRL	2,940,000	84.996	99.995 Barilla G. e R. Fratelli Società per Azioni
Barilla A.G. Zugerstrasse, 76B - 6340 Baar (Switzerland) Trade	CHF	1,000,000	84.575	99.500 Barilla Wasa Benelux BV
Wasabrod Ab 80 Commune - Stockholm (Sweden) Production and trade	SEK	5,000,000	85.000	100.000 Barilla G. e R. Fratelli Società per Azioni
Ideal Wasa As Myrveten, 12 - 2312 Ottestad N-2301 Hamar (Norway) Production and trade	NOK	1,950,000	85.000	100.000 Wasabrod Ab
Wasabrod As Mileparken, 18 - DK-2740 Skovlunde (Denmark) Trade	DKK	500,000	85.000	100.000 Wasabrod Ab
Barilla Poland Sp. Z.o.o. ul. Poleczki, 23 - 80022 Warszawa (Poland) Trade	PLN	14,050,000	85.000	100.000 Wasabrod Ab
Barilla Deutschland GmbH Ettore Bugatti Strasse, 6-14 D-51149 Köln (Germany) Production and trade	Euro	51,100	85.000	100.000 Wasabrod Ab
Barilla Australia PTY Ltd George Streeet - NSW Sidney (Australia) Trade	AUD	19,050,000	85.000	100.000 Barilla G. e R. Fratelli Società per Azioni
Barilla Wasa Benelux B.V. Lange Dreef, 13i - 4131 NJ Vianen (Netherlands) Trade	Euro	90,000	85.000	100.000 Barilla G. e R. Fratelli Società per Azioni
Barilla Adriatik d.o.o. Trzaska cesta, 315 - Ljubljana (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 and trade	USD	10,000	85.000	100.000 Barilla G. e R. Fratelli Società per Azioni
Harry's S.A.S. 103 Rue de Grenelle - 75007 Paris (France) Financial company	Euro	125,963,296	85.000	100.000 Barilla G. e R. Fratelli Società per Azioni

Company, headquarter and activity	Currency	Share Capital	% Group ownership	Through
Harry's Portugal Produtos Alimentares SA 12, Rua Garrett - 1200-204 Lisbon (Portugal) In liquidation	Euro	50,000	84.998	99.998 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. 72 route de Chauny - 02430 Gauchy (France) Production and trade	Euro	153,000	85.000	100.000 Harry's France S.A.S.
Barilla Harry's France S.A.S. 103 Rue de Grenelle - 75007 Paris (France) Production and trade	Euro	15,100,000	85.000	100.000 Harry's S.A.S.
Harry's CIS LLC Butyrski Tupik 1 - Solnechnogorsk 141500 Moscow (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 SA 19 Boulevard de France 1420 Braine l'Alleud (Belgium) Trade	Euro	200,000	85.000	100.000 Harry's S.A.S.
Harry's Russia, Denmark, A/S 69St Kogenssgarde DK 1264 Copenhagen (Denmark) Financial company	DKK	363,679,000	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 Food Group B.V. Platinawerf, 4 - 6641TL Beuningen (Netherlands) Financial company	Euro	20,100	17.000	20.000 Barilla Iniziative S.r.l.
BRW S.p.A. Via Savona, 97 - Milan (Italy) Advertising	Euro	6,306,125	24.650	29.000 Barilla G. e R. Fratelli Società per Azioni
Fiere di Parma S.p.A. Via delle Esposizioni, 393A Baganzola (Parma) (Italy) 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) (Italy) 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 (Italy) Other	Euro	7,517,948	0.00002	0.00003 Barilla G. e R. Fratelli Società per Azioni
S.I.GRA.D. Scrl Via Domenico Chelini 7 - 00197 Rome (Italy) Farmer's 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 43010 Parma (Italy)	Euro	28,609,600	0.0005	0.0006 Barilla G. e R. Fratelli Società per Azioni
Pallino Pastaria Company 1207 208th Avenue S.E. - Sammamish 98075 Washington (Usa) Production and trade	USD	501,500	12.750	15.000 Barilla America Inc.
Italia del Gusto - Consorzio Export La gastronomia di marca Viale Mentana, 41 - Parma (Italy) Trade	Euro	57,500	4.722	5.556 Barilla G. e R. Fratelli Società per Azioni
COMIECO Via Litta Pompeo, 5 - 20122 Milan (Italy) Other	Euro	32,020	0.0003	0.0003 Barilla G. e R. Fratelli Società per Azioni
CO.NA.I. Via Tomacelli, 132 - Rome (Italy) Other	Euro	13,326,963	0.00765	0.009 Barilla G. e R. Fratelli Società per Azioni

Annex 3 – Currency rates of exchange

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

		Profit & Loss average 2009	Balance sheet year end 12/31/2009
AUD	Australian Dollar	1.773	1.601
BRL	Brazilian Real	2.767	2.511
CHF	Swiss Franc	1.510	1.484
DKK	Danish Krone	7.446	7.442
JPY	Japanese Yen	130.337	133.160
MXN	Mexican Peso	18.799	18.922
NOK	Norwegian Krone	8.728	8.300
PLN	Polish Zloty	4.328	4.105
SEK	Swedish Krone	10.619	10.252
TRL	Turkish Lira	2.163	2.155
USD	US Dollar	1.395	1.441
GBP	British Pound	0.891	0.888
CZK	Krona - Czech Republic	26.435	26.473
RUB	Rouble - Russia	44.138	43.154

Report of Independent Auditors

PricewaterhouseCoopers SpA

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 2409-TER OF THE CIVIL CODE (AS MODIFIED BY ARTICLE 14 OF D.LGS 27.1.2010, NUMBER 39)

To the shareholders of
Barilla Holding SpA

1 We have audited the consolidated financial statements of Barilla Holding SpA and its subsidiaries ("Barilla Holding Group") as of and for the year ended 31 December 2009, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and related notes. The preparation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union is 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 issued by the Italian Accounting Profession and recommended by CONSOB. 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 management. We believe that our audit provides a reasonable basis for our opinion.

The audit of the financial statements as of and for the year ended 31 December 2009 has been conducted in accordance with the laws in force during the period.

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 10 April 2009.

3 In our opinion, the consolidated financial statements of Barilla Holding Group as of and for the year ended 31 December 2009 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 of

Barilla Holding Group as of 31 December 2009 and of its results of operations and cash flows of for the year then ended.

4 Barilla Holding SpA management 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 law. 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 2009.

Milan, 15 April 2010

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

Barilla Holding - Società per Azioni

Registered office and headquarters
Via Mantova, 166 - 43122 Parma - Italy

Share capitale: Euro 131,000,000.00 fully paid-in.
Parma company register, Tax ID
and VAT no. 02068780341
R.E.A. Parma no. 208304
UIC no. 31011

Tel. +39 0521 2621
Fax +39 0521 270621
relazioniesterne@barilla.it
www.gruppobarilla.it
www.barillagroup.com

Barilla photo archive
Stefano Zardini
Max & Douglas

Editing and layout
Studio Norma (Parma - Italy)

Printing
Grafiche Step (Parma - Italy)

Annual Report 2009

Barilla

The Italian Food Company. Since 1877.