Annual Report 2018

Barilla
The Italian Food Company. Since 1877.

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Annual Report 2018

The Italian Food Company. Since 1877.

For over 140 years, Barilla has cultivated its passion for pasta, led by values which today inspire its mission: "Good for You, Good for the Planet".

Summary

"Give people food you would give to your own children"
Pietro Barilla

From left: Claudio Colzani (Chief Executive Officer and General Manager), Paolo Barilla (Deputy Chairman), Luca Barilla (Deputy Chairman), Guido Barilla (Chairman).

Chairman's letter

2018 was a particularly challenging year for the Barilla Group. The progressive global economic slowdown, following several years of growth, created a scenario of great uncertainty and slowing consumption trends, causing some companies to suspend their investments. The slowdown affected Europe and Italy particularly. After 14 months of uninterrupted growth, Italy entered a recession in the second half of 2018.

In a global scenario full of anxiety, our 2018 turnover continued to grow, reaching 3,483 million euros: an increase of 3% compared to 2017 - net of exchange rate effects - thus maintaining the same growth trend recorded in 2017.

This important result follows the reinforcement of our long-term growth strategy, consistent with our mission: "Good for You, Good for the Planet."

In general, during 2018, our market share increased - especially in value terms - and recorded significant growth in most of Europe, as well as in Italy and North America.

In particular:
- in the "first course" segment, sales of sauces showed significant increases, while in the pasta market, the growth driven by the strengthening of our premium segment was significant, as were the investments in product innovations, such as the launch of legume pasta;
- in bakery products, our Wasa global development was redefined, while value generation in Italy was consolidated, with excellent results from biscuits and snacks.

As far as Group investments go, in 2018 these came to 236 million euros (6.8% of turnover) reflecting our determination to continue to innovate our products, to increase our production capacity and to promote the reduction of our environmental impact.

Our strategy and our way of doing business continues to be inspired by a decade of extraordinary work carried out by the Barilla Center for Food and Nutrition Foundation (BCFN): a multidisciplinary center which studies food in its environmental, economic and social dimensions. In this respect, in 2018 the BCFN Forum - in collaboration with the United Nations Sustainable Development Solutions Network (SDSN) - was active in the three cities of Brussels, New York and Milan, highlighting best practices and potential solutions to the huge challenges faced by the global food system.

We are committed to contributing to overcoming these challenges, aware that we can play an important role simply by continuing to do our job better and better, with the commitment of all Barilla's people, who accompany us step by step on this long, difficult but fascinating journey.

Guido Barilla

Guido Barilla

"Un sogno chiamato cacao" is the title of the advertising campaign highlighting the Pan di Stelle brand's commitment to a responsible and sustainable cocoa supply chain in the Ivory Coast and Ghana.

The first episode, "Nyma's Dream", aired from September 2018

Find out more on
#unsognochiamatocacao

Directors and officers

BARILLA INIZIATIVE S.p.A

Board of directors

Chairman
Guido Maria Barilla

Deputy chairmen
Luca Barilla
Paolo Barilla

Chief executive officer
Claudio Colzani

Directors
Emanuela Barilla
Gratian Anda
Nicolaus Issenmann
Andrea Pontremoli
Antonio Belloni

Board of statutory auditors

Chairman
Mario Tardini

Auditors
Alberto Pizzi
Augusto Schianchi

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

Board of directors

Chairman
Guido Maria Barilla

Deputy chairmen
Luca Barilla
Paolo Barilla

Chief executive officer and General Manager
Claudio Colzani

Directors
Emanuela Barilla
Antonio Belloni
Nicolaus Issenmann
Andrea Pontremoli

Board of statutory auditors

Chairman
Augusto Schianchi

Auditors
Mario Tardini
Marco Ziliotti

Independent auditors

KPMG S.p.A.

Barilla’s history in a nutshell, since 1877

«I STARTED WORKING WHEN I WAS THIRTEEN YEARS OLD. MY FATHER WOULD SEND ME WITH OUR HANDCART TO FETCH A FEW SACKS OF FLOUR, WHICH WERE THEN TRANSFORMED INTO BREAD IN OUR OLD SMALL BRICK OVEN. AFTER A FEW YEARS, IN A SMALL SHOP, WITH THE HELP OF MY SISTERS AND MY MOTHER WHO WORKED AT THE COUNTER, WE SOLD THE BREAD THAT MY FATHER AND I PRODUCED BY WORKING FOR UP TO 18 HOURS A DAY.»

Riccardo Barilla

«IT IS IMPORTANT TO UNDERLINE THAT, IF BARILLA AFTER MANY YEARS MANAGED TO BECAME AN ESTIMATED AND WELL REPUTED COMPANY, IT IS ALSO BECAUSE IT HAS ALWAYS BEEN COMMITTED TO CREATE WELLBEING FOR THE ENTIRE COMMUNITY.»

Luca Barilla

«IT IS MY BELIEF THAT THE THREE CHARACTERISTICS OF A BUSINESSMAN ARE COURAGE, INTUITION, AND OPTIMISM. I THINK THAT THE ENTREPRENEUR HAS AN IMPORTANT ROLE TO PLAY NO MATTER WHAT HIS FIELD. BUT THE FOOD SECTOR HAS A SPECIFIC ROLE, I WOULD CALL IT A DEEPER AND MORE CHALLENGING ONE, BECAUSE FOOD GOES OUT TO EVERYONE: TO CHILDREN, TO THE ELDERLY, TO FAMILIES. FOOD HAS THIS SENSITIVITY, THIS IMPORTANCE FOR THE HEALTH OF PEOPLE.»

Pietro Barilla

«THE BRAND MUST BE ABLE TO BUILD RELATIONSHIPS, NOT JUST TRANSACTIONS, WITH CONSUMERS; AND OUR FUTURE IS DEPENDENT ON OUR CONTINUING TO CREATIVELY RENEW THE WAY WE COMPETE.»

Guido Barilla

«I DON'T THINK OF A GREAT COMPANY IN TERMS OF SIZE, I THINK IT SHOULD BE GREAT FOR THE VALUES AND TRUST THAT INSPIRES.»

Paolo Barilla

«THE ITALIAN NUTRITIONAL MODEL IS THE ESSENTIAL POINT OF REFERENCE FOR HEALTHY EATING HABITS, FOR THE RESPECT AND PROTECTION OF THE NATURAL RESOURCES OF OUR PLANET AND FOR SAFEGUARDING THE RIGHTS OF FUTURE GENERATIONS.»

Guido, Luca and Paolo Barilla

THE HISTORY

The Italian Food Company. Since 1877.

1877

THE BEGINNINGS

THE BARILLA ADVENTURE STARTS

THE BARILLA STORY BEGINS IN 1877 WITH PIETRO BARILLA, IN A BREAD AND PASTA SHOP IN THE CENTRE OF PARMA.

1910

RICCARDO AT THE HELM OF BARILLA

THE FIRST FACTORY OPENED

IN THE EARLY YEARS OF THE 20TH CENTURY, THE FOUNDER WAS SUCCEEDED BY HIS SONS RICCARDO AND GUALTIERO. THE FIRST FACTORY OPENED, EMPLOYING 100 WORKERS AND PRODUCING 80,000KG OF PASTA A DAY, AND IN THE SAME YEAR BARILLA REGISTERED ITS FIRST TRADEMARK: A LITTLE BOY CRACKING AN EGG YOLK INTO A FLOUR TROUGH. AFTER THE DEATH OF HIS FATHER AND BROTHER, RICCARDO BARILLA STEERED THE COMPANY'S GROWTH IN THE TWENTIES AND THIRTIES. IN 1936, PIETRO, RICCARDO'S SON, ENTERED THE COMPANY AND BEGAN DEVELOPING ITS COMMERCIAL NETWORK.

1947

POST WORLD WAR II YEARS

GIANNI AND PIETRO AT THE HELM OF THE COMPANY

AFTER RICCARDO BARILLA'S DEATH IN 1947, HIS SONS PIETRO AND GIANNI TOOK THE REINS OF THE COMPANY, DEVELOPING MODERN PRODUCTION SYSTEMS AND ENGAGING IN INTENSE BUSINESS COMMUNICATION AND ADVERTISING ACTIVITIES.

1958 1970

BARILLA ITALIAN LEADER

THE PEDRIGNANO (PARMA) FACTORY IS BUILT

IN THE EARLY SIXTIES, BARILLA BECAME A LIMITED COMPANY. IT HAD 1,300 EMPLOYEES AND 200 SALESPEOPLE.
IN 1965, BARILLA ENTERED THE PACKAGED BAKERY PRODUCTS MARKET FOR THE FIRST TIME, WITH THE PRODUCTION OF BREADSTICKS AND CRACKERS.
IN 1969, THE PEDRIGNANO (PARMA) FACTORY WAS BUILT, THE LARGEST PASTA PRODUCTION PLANT IN THE WORLD, WITH A PRODUCTION CAPACITY OF 1,000 TONS A DAY.

1975

THE MULINO BIANCO ERA BEGIN

MULINO BIANCO IS CREATED

1975 SAW THE LAUNCH OF MULINO BIANCO, A NEW BAKERY PRODUCTS LINE, INCLUDING BISCUITS, BREAD SUBSTITUTES AND SNACKS, CHARACTERIZED BY AUTHENTICITY AND RECIPES WITH NATURAL INGREDIENTS, USING THE EXPERIENCE BARILLA HAS GAINED IN CENTURIES OF CEREAL PROCESSING.

OF BARILLA

1979 1993

THE RETURN OF PIETRO BARILLA

THE RELAUNCH

IN 1979, PIETRO BARILLA RETURNED TO THE HELM OF THE COMPANY. THE HISTORIC RE-ACQUISITION COINCIDED WITH THE RESUMPTION OF A LONG-TERM INDUSTRIAL AND ADVERTISING STRATEGY, BASED ON THE IDEA OF RE-LAUNCHING PASTA AND THE ITALIAN FIRST COURSE AND DEVELOPING THE OFFER OF BAKERY PRODUCTS.

GUIDO, LUCA AND PAOLO AT THE HELM OF THE COMPANY

IN 1993, AFTER THE DEATH OF PIETRO BARILLA, LEADERSHIP OF THE COMPANY PASSED INTO THE HANDS OF HIS SONS GUIDO, LUCA AND PAOLO.

2000

THE INTERNATIONAL EXPANSION

IMPORTANT ACQUISITIONS

THE NINETIES AND THE FIRST DECADE OF THE NEW MILLENNIUM WERE CHARACTERIZED BY A STRONG INTERNATIONALIZATION PROCESS, WITH THE GROWTH OF BARILLA'S PRESENCE IN EUROPEAN AND US MARKETS, THE OPENING OF NEW PRODUCTION PLANTS AND THE ACQUISITION OF IMPORTANT BRANDS SUCH AS PAVESI (ITALY), MISKO (GREECE), FILIZ (TURKEY), WASA (SWEDEN), YEMINA AND VESTA (MEXICO), LIEKEN (GERMANY) AND HARRYS (FRANCE).

2010

BCFN

CREATION OF THE BARILLA CENTER FOR FOOD AND NUTRITION

THE YEAR 2009 SAW THE LAUNCH OF THE BARILLA CENTER FOR FOOD AND NUTRITION (BCFN), A MULTIDISCIPLINARY RESEARCH CENTRE COMMITTED TO THE PROMOTION AND DEBATE OF TOPICS RELATED TO FOOD AND NUTRITION.

2016

EXPANSION IN BRAZIL, MIDDLE EAST AND RUSSIA

IN **2016** BARILLA CONTINUED ITS GEOGRAPHICAL EXPANSION IN BRAZIL, MIDDLE EAST AND RUSSIA, CONFIRMING AT THE SAME TIME ITS STRENGTH IN THE US AND IN THE EMERGING ASIAN MARKETS. THE COMPANY CONTINUED ALSO TO IMPROVE THE NUTRITIONAL PROFILE OF ITS PRODUCTS, REPLACING PALM OIL IN ITS COMPLETE BAKERY PORTFOLIO AND EXPANDING THE RANGE OF WHOLE GRAIN PRODUCTS.

2017

140 YEARS OF BARILLA HISTORY

FEEDING THE FUTURE

SINCE 140 YEARS WE ARE PASSIONATE ABOUT PASTA, FROM THE FIELD TO THE TABLE, AND WE ARE COMMITTED TO BRING PEOPLE THE BEST EXPERIENCES: HIGH QUALITY AND TASTY MOMENTS, PRESERVING OUR PLANET.

2018

INVEST IN THE FUTURE

BARILLA EXPECTS TO INVEST ABOUT 1 BILLION EUROS OVER FIVE YEARS ON ITS INDUSTRIAL ASSETS. ABOUT 60% OF THE INVESTMENTS WILL BE AIMED AT BOOSTING COMPETITIVENESS AND SUSTAINABILITY BY IMPROVING PROCESSES AND TECHNOLOGIES, WHILE OVER 40% WILL SUPPORT INNOVATION AND GEOGRAPHIC EXPANSION.

Barilla Group

We were born in Parma in 1877, **140 years ago**, when Pietro Barilla opened a small bread and pasta shop. That moment marked the beginning of a journey of quality and passion that has identified Barilla over the years, leading us to the development of **iconic brands in the food sector.**

TURNOVER (MLN EURO)

	2017	2018
TURNOVER (MLN EURO)	3,460	**3,483**

GEOGRAPHICAL AREAS

4.0% ASIA, AFRICA, AUSTRALIA

18.6% AMERICAS

45.9% ITALY

31.5% REST OF EUROPE AND RUSSIA

EMPLOYEES

	2017	2018
EMPLOYEES	8,358	**8,427**

Our purpose

We bring to the world joyful and wholesome food habits, coming from clean and responsible supply chains, inspired by the Italian lifestyle and the Mediterranean Diet.

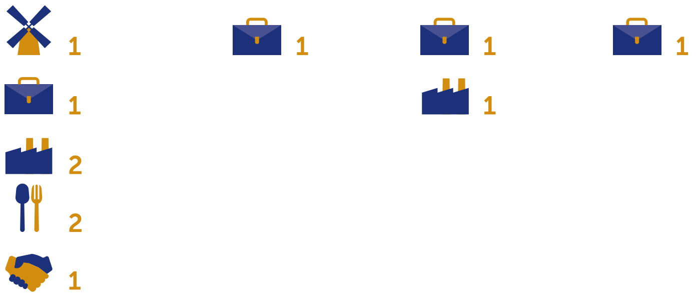
Because food for Barilla is not just food: it is the pleasure you feel, the energy inside you, it is being well for many years to come, it is respect for us and for the planet we live on. With our know-how, with simple and authentic gestures we talk about our only way of doing business: Good for You, Good for the Planet.

We are convinced that a company can only have a long term presence if it is committed to caring for people and the environment every day.

"**Good for You, Good for the Planet**" is Barilla's approach to give its contribution to the 2030 Agenda of the United Nations and the **17 Sustainable Development Goals**.

Barilla worldwide

We have **28 PRODUCTION SITES**, **14 IN ITALY** and **14 ABROAD**, which produce over **1,900,000 TONNES** of food products every year, which we export to over **100 COUNTRIES**.



100
COUNTRIES

16
BRANDS

4
CONTINENTS

28
PRODUCTION SITES

14 IN ITALY
14 ABROAD

EUROPE

2
14
8

ITALY

5
2
10
1

TURKEY

1
1
1

ARAB EMIRATES

1

RUSSIA

1
1

SINGAPORE

1

CHINA

1

JAPAN

1

AUSTRALIA

1

LEGEND

MILLS PLANTS OFFICES RESTAURANTS CUSTOMER COLLABORATION CENTER

Directors' Report

2018 was marked by a progressive downturn in the economy following a number of growth years. The most significant fall was recorded in Italy, which went into technical recession in the last two quarters. The global outlook is extremely worrying; the above fall in growth is compounded by conflicts surrounding international trade, uncertainties in the European Union due to the impact of Brexit and the electoral campaigns for the forthcoming European Parliament elections that will take place in May.
Despite this overall situation, the Barilla Group continued to grow recording an increase of 1% in sales volumes and total revenue of euro 3,483 million, a 1% increase on last year and corresponding to a 3% increase net of the foreign exchange impact.
The Group continued to strengthen its long-term strategy objectives in 2018, with particular focus on the following areas:

- The Group consolidated its global expansion through growth in Central and Eastern Europe and Asia, in addition to strengthening its position in Italy, Western Europe and North America. Sales of sauces grew significantly, bakery sales were extremely positive while pasta sales were stable. Market shares increased, particularly in value terms, despite aggressive competition;
- Strengthening of the premium pasta segment and increased focus on pesto products in the sauces segment, redefinition of the Wasa global development plan, consolidation of growth and value generation of the bakery segment products in Italy and France;
- The extraordinary investment plan continued, reaching more than euro 200 million per annum (+70% compared to the period 2010-2016), without impacting the Net Financial Position/ EBITDA ratio that amounted to 0.19;
- Work commenced on the plan to review the development strategy of the Restaurants Business.

Transactions involving subsidiaries

The Canadian trading company MXO Global Inc., which owns the Tolerant brand that specializes in the production of gluten free, legume based pasta, was acquired in 2018.
The following commentary provides a detailed review of the activities of the individual Group companies and Barilla Iniziative S.p.A. ("the Company") 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, modified by L. D. 32/2007.

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/IFRS) endorsed by the European Union. For any further detail on the accounting policies adopted, see the Illustrative 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) are calculated based on the values expressed in thousands of euro.
The Group, of which Barilla Iniziative S.p.A. is the parent company, is defined as "the Barilla Iniziative 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

Operating profit from continuing operations (EBIT) amounted to euro 342 million (euro 373 million), corresponding to 10% of revenue (11%).
In terms of cash flows, operating profit from continuing operations, net of depreciation, amortization and impairment of intangibles and property, plant and equipment (EBITDA), amounted to euro 479 million (euro 504 million), corresponding to an average 14% of revenue (15%). EBITDA decreased mainly as a result of higher production and logistics' costs.
Profit before income tax amounted to euro 325 million (euro 364 million).
Consolidated profit for the year amounted to euro 251 million compared to a profit of euro 288 million in 2017.
Consolidated profit attributable to owners of the parent (net of non-controlling interests) amounted to euro 248 million, compared to euro 286 million last year. Profit attributable to non-controlling interests amounted to approximately euro 3 million.
Current and deferred income taxes for the year totaled euro 74 million (euro 76 million); the effective tax rate was 23% (21%).
The Group continued to adopt prudent financial policies given uncertainty in the financial markets. The Group's net financial position (NFP) was a negative euro 92 million at the end of 2018 (negative euro 218 million at the end of 2017); for further details refer to the Illustrative notes to the Consolidated financial statements.

The principal loans in place are:

- Bonds issued by Barilla France S.A.S. totaling USD 125 million placed with US institutional investors in July 2011 and divided into tranches (maturing between 2021 and 2023). The bonds, including the related hedging instruments, amounted to euro 85 million at the year-end. The first tranche of the bonds amounting to USD 75 million was repaid on the maturity date in July 2018;
- USD 150 million bond issued by Barilla Iniziative S.p.A., placed with US institutional investors and maturing in 2025. This bond, including the related hedging instruments valued at mark-to-market, amounted to euro 113 million at the year-end;
- USD 185 million bond issued by Barilla Iniziative S.p.A., placed with US institutional investors and maturing in 2027. This bond, including the related hedging instruments valued at mark-to-market, amounted to euro 165 million at the year-end;
- A revolving credit facility that originally was due to mature in July 2019. The facility was negotiated at the beginning of 2018 in order to extend its maturity to January 2023 (with the option to extend for a further two years), redefine the financial terms and decrease the facility from euro 700 million to 500 million (with an option to increase further to euro 800 million). The parties in the banking pool remain substantially unchanged. Barilla Iniziative S.p.A. and Barilla G. e R. Fratelli Società per Azioni remain borrowers and guarantors, however in the new agreement Barilla France S.A.S. is no longer an alternative borrower but retains the option to assign to other borrowers within the Group. The credit facility was totally unused at 31 December 2018. Procedures commenced in November 2018 (and were finalized in January 2019) to extend the maturity of the facility to January 2024;
- A fixed-term amortizable loan of euro 50 million negotiated in January 2012 between Barilla Iniziative S.p.A., Barilla G. e R. Fratelli Società per Azioni and the European Investment Bank (EIB) that matures in 2020. The outstanding debt at 31 December 2018 amounted to Euro 9 million.

The Group confirms its ability to generate value while minimizing financial risk.

The Barilla plant in Marcianise (Italy), dedicated to the production of special semolina pasta and Voiello pasta, celebrates 50 years of activity, in the presence of Vice Chairman Luca Barilla and all the plant's employees.

October 2018

Our brands

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 durum 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.

On December 1st, 2013, Barilla opened the company's first restaurants in New York - 6th Avenue 52nd - with the goal of bringing Italian conviviality to the world.

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.

Launched in 1970 on the baked goods market in France, the Harrys 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.

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.

Gran Cereale was founded in 1989 as a Mulino Bianco whole grain biscuit and has grown to become a Barilla brand of whole grain and natural products. Nowadays, the brand offers consumers a wide range of products ranging from Biscuits to Cereals, from Crackers to "Snackbiscotto".

Pan di Stelle was created in 1983 as one of Mulino Bianco's breakfast biscuits. In 2007, with the launch of the snacks and the cake, it began its career as a stand-alone brand to become a trademark in its own right much loved by people everywhere.

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.

FIRST is a brand specialized in retail sales services.

Launched in Italy in 2015 via a partnership with Whirpool, CucinaBarilla is a project which offers a "service" comprising a special oven and a series of ready-to-use ingredient kits for the easy preparation of quality recipes.


Barilla
PARMA

Group structure and organisation

The Group's investments in its operating subsidiaries are held through the sub-holding Barilla G. e R. Fratelli Società per Azioni, which focuses on the manufacture and sale of pasta, sauces and bakery products both in the domestic and international markets, and Italian Kitchen S.r.l, which operates in the development and management of the Restaurants business.

The Group operates directly in 26 countries, exports its products to more than 100 countries and owns 28 production facilities across 9 countries.

Economic scenario

The 2018 economic situation was marked by great uncertainty.

The global economic conflict, particularly in relation to new trade taxes, has contributed significantly to creating new and worrying sources of uncertainty. These have slowed down the positive economic cycle, in many cases putting on hold corporate investment decisions and giving rise to a controlled trend in consumption. With the exception of the United States, which continues to respond positively to fiscal incentives and the government's protectionist policies, the rest of the world has been affected by the slowdown in the Chinese economy, particularly export economies such as Germany that is a fundamental partner for the Italian economy.

This is compounded by political uncertainty in Europe due to the forthcoming European Parliament elections in May this year. Italy in particular has felt the impact of this cyclical phase and, after 14 quarters of uninterrupted growth, it entered into technical recession marked by a fall in industrial production levels. This has led to uncertainty regarding growth in the coming year and worrying forecasts in terms of consumption. Given the current situation, it is improbable that measures to reduce public debt will be implemented. A fundamental element of stability is monetary policy: the impact of a rise in Eurozone interest rates will substantially be diluted in future; however concerns will surround the fluctuations in the spreads between the other countries in the Euro area. Despite the current volatility in oil prices, inflation would appear to be under control at present.

Group operating activities

From a strategic point of view, the Barilla Group's mission continues to be to achieve growth while pursuing its corporate purpose "Good for You, Good for the Planet".

The structure of the new Global Leadership Team is as follows:

1. **Regions** that are responsible for ensuring business growth and profitability through the development of Customers and Channels and a solid portfolio of brands and winning product categories for our Consumers while adhering to corporate guidelines:
   - Italy and Group Customer Development;
   - America;
   - Western Europe, comprising France, Iberia (Spain, Portugal), UK, Benelux (Belgium, Holland, Luxembourg);
   - Central Europe, comprising Germany, Switzerland, Austria, Poland;
   - Greater Eastern Europe, comprising:
     a. Eastern Europe markets: Greece, Slovenia, Croatia, South Adriatic (Serbia, Bosnia, Montenegro, Kosovo), Central East (Romania, Hungary, Slovakia, Czech Republic), South East (Albania, Bulgaria, North Macedonia, Cyprus);
     b. Russia & CIS markets;
   - Asia, Africa & Australia;
   - Northern Europe, comprising Sweden, Norway, Finland, Denmark and the Baltics (Latvia, Estonia, Lithuania).
2. **Process Units** that act as global skill centers guaranteeing the alignment of strategies, processes, standards and the development of key capabilities. In order to coordinate global brand development, in 2018 the Marketing function focused on the recentralization of key strategic processes and re-establishing the Job Family on a global scale across the following categories:
   - Meal Solutions, that comprises the manufacturing and sale of first courses (pastas and sauces) under the Barilla, Voiello, Misko, Filiz, Yemina, Vesta and Tolerant brands;
   - Bakery, consisting of the production and sale of bakery products principally through the Mulino Bianco, Pan di Stelle, Pavesi, Wasa and Harrys brands.

The Barilla Restaurants business area is responsible for creating and developing the Business to Consumer models and spreading the Italian gastronomic culture and Mediterranean lifestyle throughout the world.

Performances by Region are analyzed below.

Italy Region

Consumer packaged goods performed positively in 2018. Growth was driven by food spending, largely the consumption of fresh products. Discount and Specialist stores continued to be the most dynamic channels, recording further growth; Superstores also performed well while large Hypermarkets (> 4,500 m2) continued to struggle.

The growth in private label and small brands was significant. The Italian shopping trolley confirmed the growth trends in the food sector: service, well-being and indulgence; certain trends lost appeal (lactose free, gluten free), while others continued (organic, wholegrain, fiber, low sugar).

During 2018, the Group enjoyed positive performance and growth in almost all of the categories in which it operates, in particular in the bakery and sauces segments.

The Bakery business performed extremely well due to continuous improvements to recipes, development of the Better for You and Healthy ranges and implementation of various innovations aimed at consumers.

Performance was particularly strong in the Biscuits and Minicakes categories that recorded significant increases in market share. The Dry snacks and Soft Breads markets remained stable while the Rusks and Crackers categories suffered this year.

In the Meal Solution business, the continued growth trend in sauces was largely contributed to by the pesto segment. In the Dried Pasta segment, the premium brand Voiello performed positively but only partially offset the fall in the Barilla basic product range. The development of products in the "Better for You" segment continued and new products were launched (*Legumotti*, Legume Pasta) aimed at satisfying this rapidly growing consumer trend.

United States Region

The economies in the relevant markets recorded higher growth in 2018 than in previous year.

Within this framework of significant economic growth, the America

Region recorded increased revenue in all of the countries in which the Group operates:

- The United States continues to represent the most important market in the Region. Barilla recorded growth again this year in the Pasta category, increasing its market share in value terms by 0.4% to 33.2%, thanks to the increased consumption of classic products sold in the iconic Blue Box (durum wheat pasta) and innovative Barilla Premium Pasta products (including Gluten Free, Ready Pasta and the new Legume Pasta), all of which were supported by significant investment in marketing. 2018 was the first year of the 'Masters of Pasta' campaign, which took advantage of this marketing investment with an advert featuring Roger Federer and a visible presence at the second edition of the Laver Cup that was held in Chicago, U.S.A. (September 2018);
- The market share of the Modern Trade channel in Mexico reached 34.7% in value terms (a 0.5% increase on last year), thanks to the continued support of new product launches and packaging improvements. The Yemina brand suffered from the significant price increase that took place in May 2018, while the Barilla brand enjoyed significant growth thanks to the Blue Box, Gluten Free and *Collezione* ranges;
- In Brazil, the Group further consolidated its market share and maintained the financial stability of the business despite the negative exchange impact of the Real particularly over the summer months. Market share in value terms in the São Paolo area, in which the Group's activities are concentrated, increased by 1.5% on last year to reach 25.7%. The main products contributing to this growth are the Blue Box and the Better for You (Wholegrain, Gluten Free and 5 *Cereali*) products;
- In Canada the Group's market share in value terms in the Pasta segment is now 12.4% (+ 0.4%), which is largely attributable to the continued support of trade and marketing initiatives.

Western Europe Region

Branded products in the Region enjoyed 3% growth both in terms of revenue and volumes compared to last year. Overall the Group recorded a 2% increase in revenue (at constant exchange rates) and 1% in volumes compared to 2017. France continued to gain market shares in the pasta segment and it is the main contributor to value creation in breads for this market. Belgium became the market in the pasta segment in value terms. Portugal, the UK and the Netherlands are experiencing rapid growth, while Spain suffered a decrease in market shares in the pasta segment and recorded a slight increase in its market shares in value terms in the sauces segment.

Central Europe Region

The Region enjoyed significant growth both in volumes (+4%) and revenue (+4% at constant exchange rates) compared to the previous year, achieving record market shares for pasta and sauces in Germany, Switzerland (volumes), Austria and Poland. Barilla recorded the best performance in terms of total revenues in Germany despite 1.5% growth in the German economy and the substantially stable dry pasta market in value terms. Switzerland recorded 3% growth in volumes that was largely driven by a change in customer mix and high growth in the discount channel. With regard to product categories, the sauces segment performed extremely well.

Greater Eastern Europe Region

The Region grew by +9% in volumes and +10% in value. With regard to the Eastern Europe markets, growth was 3% in volumes and 4% in value thanks to strong performance in Greece (+1% in revenue) and the Balkans, with Croatia and Slovenia (+4% in volumes, +6% in revenue), in addition to the positive results of the Central East Europe - CEE countries including Romania, Hungary, Czech Republic and Slovakia (+15% in volumes, +19% in revenue). Also worth noting is the Group's performance in Greece in which, despite a stable market, it once again confirmed its market leadership in the pasta segment with a market share of 43% in value and significant growth in both the Bakery (+31% in volumes) and Sauces segments (+10% in volumes).

Russia & CIS markets attained 16% growth both in volumes and revenue (at constant exchange rates) and an increase in the pasta market shares thus confirming Barilla's position as the third brand in the Russian market (both in volumes and value) and leading it to first position in both Moscow and Saint Petersburg in value and second in volume. The investment approved last year for two new pasta production lines in order to increase production capacity in the Solnečnogorsk factory near Moscow, was finalized in early 2019, bringing the total number of pasta production lines in Russia to 4.

Asia, Africa, Australia Region

The performance of the Asia, Africa and Australia Region was affected in 2018 by market volatility and geopolitical tensions. Turkey's major currency devaluation and double-digit inflation increased its financial fragility. Consumption slowed down in the Middle East following the introduction of VAT in the United Arab Emirates and Saudi Arabia, while the Chinese and South-east Asian economies continued to grow thanks to private consumptions and government investments; the Region continues to be one of the most dynamic in the global economy despite the geopolitical tensions surrounding it.

In this context, Barilla recorded an 8% growth in revenue compared to last year, at constant exchange rates, despite stable volumes, thanks to price increases in Turkey and acceleration of the commercial strategy regarding distribution and market penetration for both pasta and sauces in the main markets:

- Despite the devaluation of the Lira and a fall in consumer credit, revenue in Turkey increased by 15% compared to the previous year, at constant exchange rates, due to a targeted pricing strategy;
- Australia recorded double digit growth in revenue generated by the pasta, pesto and sauces business with increased market shares for the second year in a row;
- Economic recovery in Africa and the Middle East is still slow and this has held back development in the leading markets including Israel, Lebanon and the Gulf countries;
- Revenue increased in China due to the market penetration strategy focused on the four major cities that was launched in 2017;
- Sales were stagnant in Japan due to strong pressure from local competitors and the modest performance of the domestic economy.

Northern Europe Region

Results increased in 2018 compared to the previous year both in volumes (+2%) and revenue (+2% at constant exchange rates).

The Meal Solution category continued to grow in the Nordic countries both in volumes and revenue and Barilla experienced more rapid growth compared to trends in this category: dry pasta increased by 7% in volumes and 6% in value, while the sauces category reached double digit growth (+11% in volumes, +13% in value) compared to 2017. The results of the Crispbread category fell in volumes, but remained stable in respect of value with a shift in the product mix towards higher value products: Wasa performed in line with the overall category, down in volume (-2% compared to last year) but stable in value, at constant exchange rates. However, the market shares increased in volume and value in Sweden and Norway, while

2018 was a difficult year for Denmark due to increased competition and management of the distribution network that led to a fall in value (-3%) and volumes (-2.5%) compared to the previous year. The second half of the year benefited from the successful launch of Premium Rounds, in addition to the consistent, positive performance of the Sandwich and Small Round products, which form part of Wasa's snack and premium ranges respectively.
The current orientation of local consumers is towards 'Carbon Neutral' and sustainable products, with particular focus on the supply chain, one example being the committed anti-plastic campaign launched in Norway. The wave of specific trends (such as organic, legume and wholegrain pasta) eased off, while the "Better for You" concept is still driving consumer choices.

Barilla Restaurants

The Barilla Restaurants business reviewed its expansion strategy in 2018 in order to redefine, improve and simplify its "concept": to offer a Mediterranean food and lifestyle experience. This simplification process resulted in the closure of three restaurants and the termination of the agreements made in the Middle East. 2019 will be dedicated to analyzing and reviewing the business model with a future planning, growth and potential relaunch process in mind. The Barilla Restaurants will also try to take advantage of the unique position of being a direct link to consumers in order to "elevate, inspire and explore" the Italian gastronomic experience and Mediterranean lifestyle throughout the world.

Capital expenditure

The objectives of product innovation, increased production capacity and improved efficiency gave rise to Group capital expenditure of euro 236 million in 2018, corresponding to 6.8% of revenue. The main investments included:

- Upgrading and expanding production capacity of the sauces plant in Rubbiano (Parma, Italy), with particular focus on reducing the environmental impact in line with the corporate mission "Good for You, Good for the Planet";
- Expansion of the production capacity at the Solnečnogorsk plant (Russia) by installing 2 new production lines together with production and packaging equipment for long and short pasta shapes, silos, additional moulds and building works;
- Expansion of the Ames manufacturing facility (America) through new pasta production lines and the related packaging equipment, expansion of the wheat storage capacity and extension of the train line dedicated to raw materials' transportation;
- Redesigning the automated pallet system of the Pedrignano plant (Parma, Italy), in order to achieve greater flexibility and versatility;
- Investments made to redesign the packaging of the boxed dry durum wheat pasta in order to make it more flexible and able to meet the market's quality expectations achieved through the upgrade of 25 packaging lines across 4 Italian factories;
- Expansion of the storage and flow capacity of the automated product warehouse in Pedrignano (Parma, Italy);
- Replacement of the aircraft with a more up to date model that has an increased flight range and consumes less than the previous model.

Corporate governance and compliance

The corporate governance structure of Barilla Iniziative S.p.A. (hereinafter "the Company") consists of the following corporate bodies: the Board of Directors, the Board of Statutory Auditors and the Independent Auditors.
The Board of Directors (BoD) is the body vested with the widest powers possible and is responsible for managing the Company and assessing the adequacy of the organization, administration and accounting functions and the review of the overall operating performance and the adoption of resolutions that require the approval of the BoD pursuant to the articles of association. The current BoD comprises nine directors (two of whom represent non-controlling interests) whose term of office expires on the next General Meeting of Shareholders (GSM) called to approve the 2018 Annual Report.
The Board of Statutory Auditors, appointed by the GSM, oversees compliance with the law and the articles of association, on matters involving compliance with the principles of correct administration. The term of office of the Board of Statutory Auditors expires on approval of the 2020 Annual Report.
KPMG S.p.A. has been appointed as Independent Auditors to perform the audit of the separate financial statements as required by law. It has also been appointed to audit the Consolidated financial statements of the Barilla Iniziative Group and the separate financial statements of the main Group subsidiaries.
The governance structure of the principal Italian subsidiaries is developed taking into consideration the individual operating conditions and, in the case of overseas entities, local legislation.
With regard to Barilla G. e R. Fratelli Società per Azioni and its principal subsidiaries, the governance structure in general is similar to that of Barilla Iniziative S.p.A. The internal control system of Barilla G. e R. Fratelli Società per Azioni however, is more company specific given the nature of the business as it is both holding company of investments and operating company; moreover, it has adopted an Organization, Management and Control Model that complies with Legislative Decree 231/2001 (hereinafter "the MOG Model" or "the MOG"). The MOG includes a general section and special sections relating to particular offences together with the Code of Ethics. These define the types of corporate crimes, the business areas considered at risk of a crime being committed, the procedures, systems and protocols aimed at preventing crimes and the set of principles and values that the Barilla Group companies identify with and that the directors, statutory auditors, employees, external collaborators, suppliers and customers are required to adhere to.
The original version of the MOG Model was approved by the Barilla G. e R. Fratelli Società per Azioni BoD on 27 March 2018; subsequently the same BoD approved the latest version of the MOG, updated to reflect the introduction of new offences, and the Code of Ethics on 27 February 2019.
In order to evaluate the effective and correct implementation of the MOG Model, the BoD of Barilla G. e R. Fratelli Società per Azioni appointed a monocratic Supervisory Board (SB), which comprises one external member who is a university lecturer and self-employed professional. The SB reports on a half-yearly basis to the BoD regarding its activities and receives notices and recommendations from employees and third parties.
In light of the increasing internationalization of the Group and in line with growing, global compliance requirements, a Compliance department was established as part of the Legal and Corporate Affairs Process Unit and the head of this unit was appointed to the role of Group Compliance Officer.

The above-mentioned department created an Integrated Compliance System (ICS), consisting of, amongst other things, the basic Compliance Policy, other related policy-procedures and software to carry out "know your supplier-know your customer" checks; the ICS aims to ensure compliance with public legislation, both nationally and internationally, relating to safeguarding competition, food & advertising law, privacy, anti-bribery, international sanctions and anti-money laundering.

In the course of 2018, the Group Compliance Officer and the Compliance department continued implementation of the ICS, which entails, where necessary, the strengthening of control policies and procedures, training of Group employees in the relevant areas and monitoring a whistleblowing channel that allows potential violation of policies, notified anonymously.

The Group Compliance Officer and the Compliance department hold regular meeting with various bodies including the SB, the Board of Statutory Auditors, the Audit and Risk departments and management as and when necessary.

The Group Compliance Officer and the Compliance Department are expected to meet at least yearly at the BoD meeting called to discuss these activities.

A working group was formed within the ICS and is responsible for implementing Regulation (EU) 679/2016 regarding personal data protection ("GDPR"), giving rise, among other things, to the following key activities: mapping of IT systems associated with data processing and the processes in place, review of legal documentation (e.g. disclosure information), preparation of a GDPR Master Policy and related procedures, implementation of an IT solution to maintain the Record of Personal Data Treated and carrying out an Impact Assessment, organize training activities, appoint a Data Protection manager and establish a support structure.

Corporate governance, risk management processes and the internal control system are all monitored by the Internal Audit department that works independently and in accordance with International Standards for the Professional Practice of Internal Auditing. This is achieved through the audit of corporate cycles and processes following an audit plan approved by the BoD.

Compliance activities were intensified also from a tax point of view with the definition of a Tax Compliance Framework (TCF) Model, which has allowed the identification and mapping of the various business processes, highlighting of potential tax risks and the actions required to mitigate these.

Only one way of doing business: "Good for You, Good for the Planet"

The continuous changes in the global economic, social and environmental structure are impacting the sustainability of the entire food and farming industries. Nutrition, individual well-being, climate change and food waste are all topics that Barilla must address.

Within this context, our mission "Good for You, Good for the Planet" represents a concrete reference point. It relates to a group of values and principles that drive Barilla's decision making and is a tangible commitment to address the complex challenges faced at international level.

It is a simple concept that translates into a tangible commitment followed through from field to fork: Barilla's desire to offer its customers good, nutritionally balanced and responsibly sourced products that are inspired by the Italian lifestyle and the Mediterranean diet.

In order to pursue this objective, Barilla will continue to strive for improvement, investing in the nutritional quality of products, in the supply chain and increasing brand identity, strengthening presence in key markets and reinforcing the geographic expansion currently underway.

The Barilla Center for Food and Nutrition Foundation (BCFN), an independent, multi-disciplinary think tank that studies the environmental, economic and social factors associated with the food industry, plays a fundamental role in influencing the Group's day-to-day activities.

Through its collaboration with scientists and international experts, the BCFN publishes scientific studies aimed at analyzing the issues surrounding the current agro-food sector and promoting solutions and good practices in order to achieve the Sustainable Development Goals adopted by the United Nations in the 2030 Agenda.

Environmental management

Environmental management is a fundamental part of the Group's "Good for You, Good for the Planet" Mission. Several projects were developed and various successful outcomes were achieved in 2018:

- 93% of the Group's factories (bakeries, pasta factories and mills) hold an Integrated Environmental Management System, developed in accordance with international technical standard UNI EN ISO 14001, 2015 edition; consequently, roughly 93% of sales volumes is produced in ISO 14001 certified factories;
- Barilla has employed a Life Cycle Assessment tool for more than 10 years in order to assess the environmental impact of its products; in accordance with the international EPD system (Environmental Product Declaration) - www.environdec.com - Barilla publishes information regarding the certified environmental impact and it is the first food group to have developed and obtained third party certification on a system that measures the environmental impact of its products. In 2018 61 EPDs (Environmental Product Declaration) for Barilla products were available on the website environdec.com, corresponding to around 70% of production volumes. Furthermore, Barilla, in its capacity as a pasta manufacturer, took part in the pilot phase of the European project to define an agreed method of calculating a products' environmental footprint (PEF-Product Environmental Footprint);
- With regard to our product packaging, the virgin fiber cardboard used for pasta packaging is sourced from responsibly managed forests;
- Moreover, about 99% of Barilla packaging on the market is technically recyclable;
- In 2018, Wasa became the first Carbon Neutral brand in the Group: all of the 94,000t of CO2eq emissions of the production chain of Wasa products (from the field to the shelf), were reduced, calculated and offset in compliance with international standard PAS 2060, and the process was certified by the Independent Third Party (DNV-GL). The emissions offset took place thanks to the backing of projects to safeguard the Peruvian rainforest and renewable energy in India.

Health and Safety

Employee's health and safety has always played a key role in the Barilla Group's Mission and the results achieved in the factories in 2018 confirm the importance of this subject.

The widespread prevention efforts led to a 56% fall in the total numbers of accidents across the entire Group since 2010 and a 54% fall in the accident frequency index and a 37% drop in the severity index compared to 2010.

The Barilla Group and Crédit Agricole sign an agreement which enables Italian farms with durum wheat supply contracts with Barilla to access loans and dedicated banking services.

October 2018 - From left: Giampiero Maioli, Head of Crédit Agricole in Italy, and Guido Barilla, Chairman of the Barilla Group.

No accidents took place at the Bolu factory (Turkey) and the 6 mills reached and maintained the "Zero Accident" target (the Castelplanio mill in Italy has succeeded for 13 years).
This objective was attained also thanks to the implementation of the Barilla Integrated Safety-at-Work Management System developed in accordance with international technical standard OHSAS 18001 (Occupational Health and Safety Assessment Series); this system, which was launched 10 years ago and rolled out to all of the operating sites, currently covers 86% of the Group's plants.
The global audit plan continues to cover the areas of safety, the environment, fire prevention and energy and around 120 specific checks took place in 2018 throughout all of the pasta factories, bakeries and mills with the support of specialist enterprises.
Training continued to play a fundamental role in raising awareness on the subjects of Health and Safety, the Environment and Energy.
No fatal accidents involving employees occurred in the workplace in 2018 and no actions were raised in relation to health and safety matters.

Energy management

Energy management is also a key topic in the Group's Mission "Good for You, Good for the Planet". More specifically:

- The production of Mulino Bianco, Pan di Stelle, Gran Cereale, Wasa, Harrys and Barilla sauces is covered by specific certificates (GOs - European Guarantees of Origin) confirming that production uses renewable energy sources;
- The Melfi factory (Italy) installed Barilla's first photovoltaic plant in 2018;
- In order to improve efficiency and reduce the environmental impact, all of the Italian pasta factories run a cogeneration plant that enables the combined production of electricity and thermal energy, thus reducing the amount of fossil fuels that would be used in comparison to separate energy production or if purchasing on the national grid.

The ESP - Energy Saving Project, launched 15 years ago, whereby under the direction of the central offices, colleagues in the technical departments of the factories share the best technical and management solutions in order to improve energy performance and identify optimization plans, continued this year. Amongst the latest innovative projects realized, the innovative plant that recovers heat from cooking oven emissions, at the Novara factory (Italy).
Significant developments were made in 2018 regarding the implementation of the Energy Management System in accordance with the recently introduced international technical standard ISO 50001, and the related certification by an independent third party. As of today, 19 factories are certified in accordance with this standard accounting for more than 66% of the Group's total production.
The two plants in Parma and Foggia (Italy) are covered by the Emissions Trading Scheme and are certified regularly and their CO2 emissions are certified by an independent third party.

Human capital

The number of employees at 31 December 2018 was 8,427 (8,358), of which 4,134 (4,045) are located in Italy and 4,293 (4,313) overseas. An analysis of employees compared to the previous year is illustrated below:

	12/31/2018	12/31/2017
Managers and white-collar staff	3,221	3,195
Blue-collar staff	5,206	5,163
Total	**8,427**	**8,358**

One of the activities and initiatives that impact business areas that are not linked to the core business but that contribute to the value creation process of the business, and was of particular relevance this year, was the Feedback initiative. The aim of this initiative was to create a feedback culture in Barilla encouraging an effective process that supports development, transparency and performance. The Recruiting and Talent Management processes were strengthened in 2018. Following definition of the Employer Value Proposition, communication campaigns intensified so as to increase the Company's appeal as one of the best employers in the market.
Training is another essential element supporting the growth and change management processes and expanding the career opportunities of Barilla's employees. During the year training activities focused on the development of professional and leadership skills. The former was addressed using internal training laboratories (Academy) across various corporate functions (Marketing, Sales and Finance), in which all professionals can expand their abilities and skills in order to achieve executive excellence and, as a consequence, improved results. The Academies employ both classic and state of the art training methods.
With regard to leadership skills, training activities centered on the development of business skills, corporate identity and change support.

About Diversity & Inclusion, the concept that an inclusive atmosphere at work has a positive impact on people's involvement and business performance, that enabled Barilla to achieve significant business results, gave rise to the launch of the "Creating an inclusive workplace" project.
In 2018 Barilla launched the Winparenting pilot project at its headquarters, a project that is aimed at balancing private, work and social life and is an example of how the Company embraces diversity and values its employees as People first and foremost, accompanying them through the most transformational moment of their lives: becoming parents. The platform offers guidelines and advice for those directly involved and their managers, coaching sessions and training support (MAAM ©) for new mums and dads, services and testimonies for each stage of parenthood.

Barilla's Diversity & Inclusion Board continued its commitment to set challenging objectives. Lisa Kepinski, founder and director of the Inclusion Institute, replaced Patricia Bellinger on the board and brings expert experience in the areas of behavioral sciences and integrated and inclusive organization development. The creation of Employee Resource Groups continues to be encouraged and supported and these still play a key role in the diversity and inclusion strategy. A number of projects were launched in 2018 including: ThisAbility in Italy and France, which focuses on disability; *Armonia* in Greece; Balance in Central Europe, again covering the work life balance subject; *Insieme*, in the Avon (USA) plant, to face this topic in a manufacturing context and finally Together, in the Nordic countries. The initiatives VOCE to support LGBT employees, Welchome to acknowledge the various multicultural identities and Young to close the generational gap, all moved ahead this year.

Research and development activities

Intensive research continued with the aim of guaranteeing the provision of nutritionally improved products, an activity which has been at the heart of the Group's business for a number of years in implementing its mission "Good for You, Good for the Planet"; the Group once again invested euro 40 million in research and development activities in 2018.

In order to steer the continual improvement of existing products and the launch of new ones, Barilla's nutritional guidelines, which define the reference values of the key nutrients in each product in order to promote people's well-being, were updated in 2018. The update was based on the most acknowledged, up to date scientific evidence and was executed in conjunction with the Health and Well-being Advisory Board, a group of international scientific experts who for many years have provided support to the Group in promoting healthy lifestyles.
In order to adhere to the nutritional guidelines, research and development activities in 2018 mainly focused on the launch of new products including 100% wholegrain (biscuits, snacks, breads and bread substitutes), no added sugar (sauces, breads and bread substitutes) and expanding the range of products containing less fat and saturated fats, salt and/or sugar than the original recipe (biscuits, snacks, bread substitutes, pesto and sauces). Moreover, in order to satisfy specific consumer demands new products were introduced including gluten free (bread and bread substitutes), organic (bread and bread substitutes, biscuits and sauces) and a new range of pasta made with 100% legume flour therefore naturally gluten free and rich in vegetable proteins and fiber.
In the field of scientific research, in 2018 a number of independent clinical studies continued in Europe, the United States and Asia, aimed at assessing the impact of pasta consumption and rye rich diets on a number of metabolic parameters including glycemic response and body weight, in addition to investigating the role these products play in a healthy, balanced diet.

With regard to the "*sì.mediterraneo*" project, which in recent years has raised the Group's employees' awareness of the nutritional benefits and the environmental sustainability of the Mediterranean diet, 2018 saw the launch of an online, interactive platform for the employees in Pedrignano (Parma) in Italy (to be rolled out to all Group employees in future), where they can receive personalized advice based on meals eaten in the staff canteen, preferences and lifestyles, in addition to accumulating points and receiving awards for being the most faithful to the Food Double Pyramid.
In 2018 the Group also invested in employee training to promote healthy and informed food choices in respect of the environment, by holding workshops and interactive lessons led by international experts in this field.

Sustainable supply chain management and relations with the local territory

In line with its "Good for You, Good for the Planet" strategy, the Group has been committed for many years now to purchasing raw materials and packaging materials that minimize the environmental impact and contribute to the well-being of the territory in which they operate.
Barilla's products are created through collaboration with more than 1,200 worldwide suppliers and using more than 800 types of raw materials and 50 of packaging materials.
In order to standardize the approach across the different raw materials and packaging materials supply chains, Barilla established a Sustainable Agriculture Code (SAC) and Sustainable Packaging Principles. Both of these are based on the five principles that underpin the responsible management practices of the strategic supply chains. This commitment led to significant improvements in 2018 across all of the supply chains and the launch of two, new important projects: "*la Carta del Mulino*" (in relation to the flours used in the production of the Mulino Bianco products) and the "*Charte Harrys*" (in respect of the flours used in the production of the Harrys branded products). These two projects will be an integral part of the two brands over the coming years, with a concrete commitment to the entire soft wheat flour supply chain. The two above-mentioned projects are available on the respective websites together with details of the projects that translate into improved agronomic practices in collaboration with millers, storage facilities and farmers and the support of third party experts.
In number terms, the total key materials purchased in compliance with the above Codes and Principles increased from 45% to 52%. More specifically, the purchase of key packaging materials in line with the principles rose to 99.4% while raw materials' purchases represented 45% of total volumes.
With regard to the durum wheat supply chain, in 2018 agreements with the supply chain partners accounted for 67% of total volumes purchased in Italy and 30% of those in Greece.
Both in Italy and Greece an increasingly significant number of farmers are applying the "Decalogue for Sustainable Farming of Durum Wheat" and the Decisional Support System "Granoduro.net®", aimed at making farming more sustainable.
In Italy, the number of farmers that apply these systems increased to almost 3,000 farmers although the volume of wheat produced remained stable at 230,000 tons due to low yields caused by adverse weather conditions.

In Greece, the first harvest guaranteed the first 7,000 tons, corresponding to 11% of farming contracts.
With regard to North America, after having circulated the "Field Guide" published by the North Dakota State University (NDSU) and issued free of charge to all members of the supply chain, farmers in Canada also have access to the "Sustainable Production of Durum Wheat in Canada" manual edited by Dr. DePauw, thanks to the collaboration of Agri-Food Canada.
As testimony to the commitment to the local territory, in 2018, 90% of durum wheat used in the manufacture of the various Barilla Group brands was farmed locally in the country in which the pasta was produced.

Another important decision was to ban the use of cages in egg-laying hen farms and Barilla will source only cage-free eggs by the second quarter of 2019. The "*Un sogno chiamato cacao*" project, which was launched by the Pan di Stelle brand in 2017 in relation to all of its products, to finance sustainability projects in the Ivory Coast, was rolled out to all of the Group's brands the aim being to cover 100% of Barilla's production by the end of 2019. The purchase contracts of other raw materials such as sunflower oil, rapeseed oil and tomatoes will require application of the Principles of Sustainable Agriculture to 100% of purchases as early as the end of 2019.
99.4% of key packaging materials, principally paper and cardboard, plastic materials, glass and caps is 100% recyclable and more than 99% of packaging provides recycling instructions for the consumer. All of the paper supply chain is certified in accordance with state of the art standards such as FSC and PEFC.
Finalizing the roll-out of the Principles has paved the way for new challenges for Barilla with the aim of using packaging materials that only derive from renewable sources and/or recycled materials. This commitment is confirmed by the endorsement given to the "Global Commitment to eradicate plastic pollution at the source" led by the Ellen MacArthur Foundation in collaboration with the United Nations.

Customer relations

In addition to guarantee product quality through stringent controls "from field to fork", the Group is committed to people's well-being, safeguarding the planet's resources and developing local communities. The aim of continuously working with the local territory is to foster diversity inclusion, create access to food and promote responsible choices through specific educational projects.
Barilla's consumer relationships are fundamental to the development of the company and its way of doing business.
Building on the work carried out in previous years, in 2018 across the various geographical locations, Barilla widened its accessibility and improved its listening and communication channels, both traditional and digital, from its websites through to social networks. Expanding the points of contact with our consumers has allowed us to establish closer and stronger customer relations and allowed us to acquire a better understanding of their needs, expectations and grasp opportunities. All of the above enables us to gather comments, notifications and useful suggestions aimed at continuously improving our products and the way we do business.

Risk management

The process of improving the Enterprise Risk Management model, aimed at optimizing support in the business decision processes and activities relating to Company Transformation, continued in 2018.
In addition to the intrinsic business risk assessment, the analysis of ESG Risks (Environmental, Social and Governance risk related) was included given the increasing importance on a global scale, and the financial and procurement risks associated with raw materials arising from dramatic Climate Changes and the potential business impact of new macroeconomic and political scenarios.
This project, proposed by the Group Finance & Administration Process Unit and managed by the Enterprise Risk Management department, has benefited from the active participation of the Group Leadership Team, the Board of Statutory Auditors and the Group Strategy and Transformation Process Units and has provided information regarding key business risks to the BoD.
The review phase relating to risk governance and the process of optimizing risk management methods also continued. The risk assessment process involved all areas of the business and the cooperation of the Group's 7 risk matter experts (Treasury, Tax, Health, Safety and the Environment, Compliance, Quality, Food Safety & Techregulatory, Scientific Relations & Sustainability, Digital & Business Technology) and resulted in a 360 degree mapping of the major risks to which the business is exposed, employing methods agreed and adopted by all of the business areas.

More specifically, the assessment activities resulted in:

- The update of the dedicated data base (Risk Register) listing 158 risk scenarios;
- Mapping of the inherent and residual risk categories and related scenarios, taking into consideration the corrective and preventative actions currently adopted by the Company;
- Enabled identification of the major residual risk categories that potentially exceed the Group's risk appetite or that also present scope for improvement in relation to the specific operational strategy;
- Definition, together with top management, of the priorities and risk mitigation plans for the key risks identified;
- Identification of the departments responsible for managing specific risks (Risk Ownership).

The close cooperation with Internal Audit function has also enabled the continuous monitoring of the implementation of the agreed risk mitigation plans in order to assess the effectiveness of the action plans and the adequacy of the level of controls in relation to the mapped risks.
The updated risk profile will be presented regularly to top management in order to monitor critical risk exposure and implementation of planned control measures.
With regard to Information Technology risk, the Group adopts a disaster recovery service for most of its applications, with more stringent supply requirements in respect of those that are critical to business continuity and are tested yearly. A network infrastructure has been adopted that provides a further level of redundancy for remote access to systems.
Cyber Security presents a constant worry to the Group and it continued to pursue projects and carry out investment in this area. Regular vulnerability assessments are carried out by independent specialists in order to maintain a sufficient level of security. The corporate network is equipped with a sophisticated infrastructure that only allows the connection of automatically recognized, authorized devices and an anti-intrusion system. A Security Information & Event Management (SIEM) system is in place that is equipped with management services to allow the systematic monitoring of all events.
The ISO 27001 certification was awarded during the year in relation to the organizational, regulatory and technical measures in place to protect and control information assets, in respect of ICT services managed by head office and used by the entire Group.

Significant events after the year-end

The new Pan di Stelle spreadable cream was launched in Italy in January 2019. It is a cocoa spread containing 100% Italian hazelnuts and crumbs of Pan di Stelle biscuit, without palm oil.
The subsidiary Barilla Danmark A/S was put into liquidation in January 2019 following transfer of the contract with the Danish distributor to the holding company Barilla Sverige AB.
With the exception of the events disclosed above no other significant events took place after 31 December 2018.

Management outlook

The forecast results for 2019 are currently in line with budget with performance more stable than the 2018 final quarter and particular attention will be paid to growth and protecting trade margins as a significant increase in competition is expected.

Other significant operating events

No significant changes were made to the Group organization structure during the year.

Related party transactions

Transactions with Group companies and related parties are considered neither uncharacteristic nor 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 disclosures required by IAS 24 are set out in note 8 of the Illustrative notes to the Consolidated financial statements.

Chairman Guido Barilla inaugurates the 10th edition of the Barilla Insieme Day, in the presence of several stakeholders. Held in collaboration with The Consumer Goods Forum, the first Asian-edition of Insieme Day in Singapore.

June 2018

Consolidated financial statements for the year ended 31 december 2018

Statement of financial position

(euro thousands)

Assets	Note	12/31/2018	12/31/2017
Current assets			
Cash and cash equivalents	6.1	295,982	246,893
Trade receivables	6.2	419,306	428,458
Tax credits	6.3	19,602	28,541
Other receivables due from parent company	6.4	2,646	16,662
Other assets	6.5	111,236	94,085
Inventories	6.6	302,742	282,717
Derivative financial instruments	6.20	9,624	13,057
Total current assets		**1,161,138**	**1,110,413**
Non-current assets			
Property, plant and equipment	6.7	1,101,691	1,001,145
Goodwill	6.8	457,997	467,254
Other intangible assets	6.9	28,182	32,856
Trade and other receivables	6.10	1,938	2,490
Other receivables due from parent company	6.4	2,858	10,322
Deferred income tax assets	6.11	37,842	41,902
Equity instruments	6.12	1,025	1,297
Derivative financial instruments	6.20	52,537	43,828
Total non-current assets		**1,684,070**	**1,601,094**
Total assets		**2,845,208**	**2,711,507**

(euro thousands)

Liabilities and equity	Note	12/31/2018	12/31/2017
Current liabilities			
Trade payables	6.13	744,314	752,189
Borrowings	6.14	26,073	84,954
Derivative financial instruments	6.20	188	6,011
Retirement benefit obligations	6.15	11,305	11,234
Current income tax liabilities	6.16	3,898	5,297
Other liabilities	6.17	177,732	170,694
Provisions for other liabilities and charges	6.18	57,723	58,689
Total current liabilities		**1,021,233**	**1,089,068**
Non-current liabilities			
Borrowings	6.19	418,660	418,629
Derivative financial instruments	6.20	5,656	12,081
Retirement benefit obligations	6.15	135,524	136,029
Deferred income tax liabilities	6.11	6,584	14,614
Other payables	6.21	4,087	4,386
Provisions for other liabilities and charges	6.18	39,784	44,248
Total non-current liabilities		**610,295**	**629,987**
Equity	6.22		
Share capital		101,000	101,000
Reserves:			
- Currency translation reserve		27,661	17,098
- Other reserves		821,984	577,557
Profit/(loss) for the year		248,084	285,522
Capital and reserves attributable to Group equity holders		**1,198,729**	**981,177**
Non-controlling interests		11,918	8,596
Profit/(loss) attributable to non-controlling interests		3,033	2,679
Total non-controlling interests	6.23	**14,951**	**11,275**
Total equity		**1,213,680**	**992,452**
Total liabilities and equity		**2,845,208**	**2,711,507**

On World Environment Day, Vice Chairman Paolo Barilla presents our new sustainability report "Good for you, Good for the Planet" to stakeholders.

June 2018

Consolidated income statement

(euro thousands)

	Note	2018	2017
Revenue	6.24	3,483,068	3,459,684
Cost of sales	6.25	(2,057,606)	(2,007,191)
Gross profit		**1,425,462**	**1,452,493**
Logistics costs	6.25	(320,956)	(302,703)
Selling costs	6.25	(157,196)	(152,348)
Marketing costs	6.25	(378,834)	(416,815)
Research and development costs	6.25	(26,651)	(27,462)
General and administrative expenses	6.25	(185,240)	(180,547)
Other income and (expenses)	6.26	(15,085)	792
Goodwill and intangible fixed assets impairment loss	6.8 - 6.25	(3,567)	-
Operating profit		**337,933**	**373,410**
Finance income and (costs)	6.27	(12,938)	(9,115)
Profit before income tax		**324,995**	**364,295**
Income tax expense	6.28	(73,878)	(76,094)
Profit for the year from continuing operations		**251,117**	**288,201**
Profit/(Loss) attributable to non-controlling interests		**3,033**	**2,679**
Profit/(Loss) attributable to Group equity holders		**248,084**	**285,552**

Statement of comprehensive income

(euro thousands)

	Note	2018	2017
Profit/(loss) for the year	**(a)**	**251,117**	**288,201**
Items that will not be reclassified to profit or loss:			
Actuarial gains/(losses) on future employee benefits	6.15	(232)	1,905
Fiscal effect	6.11	(180)	(260)
Total items that will not be reclassified to profit or loss	**(b)**	**(412)**	**1,645**
Items that may be subsequently reclassified to profit or loss:			
Hedging reserve		8,737	1,907
Fiscal effect	6.11	(1,920)	(488)
Currency translation adjustment		11,176	(71,383)
Total items that may be subsequently reclassified to profit or loss	**(c)**	**17,993**	**(69,964)**
Other comprehensive income for the year	**(b+c)**	**17,581**	**(68,319)**
Total comprehensive income/(loss) for the year	**(a+b+c)**	**268,698**	**219,882**
Total profit/(loss) for the year attributable to:			
- Non-controlling interest		**3,033**	**2,679**
- Group equity holders		**248,084**	**285,522**
Total		**251,117**	**288,201**
Total comprehensive income/(loss) attributable to:			
- Non-controlling interest		**3,676**	**1,863**
- Group equity holders		**265,022**	**218,019**
Total		**268,698**	**219,882**

Statement of changes in equity

(euro thousands)

	Share capital	Currency translation reserve	Actuarial gains (losses) reserve	Hedging reserve	Deferred taxes reserve	Retained earnings	Profit	Total Group equity	Non controlling interests	Total equity
Balance at 31 December 2017	**101,000**	**17,098**	**(43,845)**	**1,322**	**11,117**	**608,963**	**285,522**	**981,177**	**11,275**	**992,452**
Destination of the profit	-	-	-	-	-	285,522	(285,522)	**-**	-	**-**
Dividends and reserves distribution	-	-	-	-	-	(47,470)	-	**(47,470)**	**-**	**(47,470)**
Comprehensive income:										
Profit	-	-	-	-	-	-	248,084	248,084	3,033	**251,117**
Other comprehensive income	-	10,563	(265)	8,737	(2,097)	-	-	16,938	643	**17,581**
Total comprehensive income	**-**	**10,563**	**(265)**	**8,737**	**(2,097)**	**-**	**248,084**	**265,022**	**3,676**	**268,698**
Balance at 31 December 2018	**101,000**	**27,661**	**(44,110)**	**10,059**	**9,020**	**847,015**	**248,084**	**1,198,729**	**14,951**	**1,213,680**

	Share capital	Currency translation reserve	Actuarial gains (losses) reserve	Hedging reserve	Deferred taxes reserve	Retained earnings	Profit	Total Group equity	Non controlling interests	Total equity
Balance at 31 December 2016	**101,000**	**87,665**	**(45,750)**	**(5,561)**	**13,524**	**858,579**	**238,272**	**1,247,729**	**13,304**	**1,261,033**
IFRS 9 adoption	-	-	-	4,976	(1,659)	(5,583)	-	**(2,266)**	-	**(2,266)**
Destination of the profit	-	-	-	-	-	238,272	(238,272)	**-**	-	**-**
Dividends and reserves distribution	-	-	-	-	-	(482,305)	-	**(482,305)**	**(3,892)**	**(486,197)**
Comprehensive income:										
Profit	-	-	-	-	-	-	285,522	285,522	2,679	**288,201**
Other comprehensive income	-	(70,567)	1,905	1,907	(748)	-	-	(67,503)	(816)	**(68,319)**
Total comprehensive income	**-**	**(70,567)**	**1,905**	**1,907**	**(748)**	**-**	**285,522**	**218,019**	**1,863**	**219,882**
Balance at 31 December 2017	**101,000**	**17,098**	**(43,845)**	**1,322**	**11,117**	**608,963**	**285,522**	**981,177**	**11,275**	**992,452**

Statement of cash flow

(euro thousands)

	Note	2018	2017
Profit/(loss) before income tax		324,995	364,295
Finance costs - net, excluding gains on disposals of equity investments		12,938	9,115
Amortization and depreciation		137,386	130,755
(Profit)/loss on disposal of property, plant and equipment, intangible assets		(1,192)	2,646
Goodwill and intangible fixed assets impairment loss		3,567	-
Change in fair value of equity investments		343	253
Change in trade receivables/payables		1,407	63,298
Change in inventories		(19,282)	(23,876)
Change in provisions (including employee provisions)		(6,125)	10,774
Changes in other assets and liabilities		(20,051)	18,184
Income taxes paid		(46,881)	(97,579)
Foreign exchange gains/(losses), translation and other minor differences		18,696	(57,124)
Net cash generated from/(used in) operating activities	**(a)**	**405,801**	**420,741**
Purchases of property, plant and equipment		(226,987)	(208,373)
Purchases of software		(9,158)	(9,264)
Proceeds from sale of property, plant and equipment, intangible assets		7,040	408
Purchases of other intangible assets		(1,930)	(2,382)
Net purchases of investments or businesses		(656)	-
Proceeds from capital grants		-	1,081
Net cash generated from/(used in) investing activities	**(b)**	**(231,691)**	**(218,530)**
Net change in borrowings	6.19	(67,709)	(4,608)
Net change in borrowings due to parent companies	6.19	-	(2,559)
Net change in derivatives on commodities		(1,323)	70
Dividends paid and reserve distribution		(47,470)	(486,197)
Interest paid		(6,838)	(8,052)
Net cash generated from/(used in) financing activities	**(c)**	**(123,340)**	**(501,346)**
Net (decrease)/increase in cash and cash equivalents net of bank overdrafts	**(a+b+c)**	**50,770**	**(299,135)**
Cash and cash equivalents net of bank overdrafts at beginning of the year		245,922	531,802
Cash and cash equivalents net of bank overdrafts at end of the year		294,975	245,922
Exchange differences on cash and bank overdrafts		1,717	(13,255)
Net (decrease)/increase in cash and cash equivalents net of bank overdrafts		**50,770**	**(299,135)**
Bank balances		295,982	246,893
Bank overdrafts		(1,007)	(971)
Total cash and cash equivalents net of bank overdrafts		**294,975**	**245,922**

Carolina Diaz, chef at the Terzo Piano restaurant in Chicago (USA), wins the title of "Master of Pasta" at the seventh edition of the Barilla Pasta World Championship.

October 2018

Illustrative notes

1. Group structure and business

Barilla Iniziative S.p.A. (hereinafter "Barilla Iniziative"), with registered offices in Parma (Italy), is the parent company of the Barilla Iniziative Group (hereinafter "the Group"). The Group operates in the manufacture and sale of pasta, sauces and bakery products, both in Italy and worldwide.
CO.FI.BA S.r.l. owns 85% of Barilla Iniziative with the remaining 15% of share capital owned by Gafina B.V.
The holding company of CO.FI.BA. S.r.l., Guido M. Barilla and F.lli S.r.L. & C. S.a.p.A. draws up the Consolidated financial statements of the Group which is presented together with the Statutory financial statements, filed to the Parma Companies Register (Italy), together with Directors' and Auditors' Reports.
A list of the companies included in the scope of consolidation is provided in Appendix 1 and a list of investments in associated and other companies in Appendix 2.

2. Significant events after the year-end

The new Pan di Stelle spreadable cream was launched in Italy in January 2019. It is a cocoa spread containing 100% Italian hazelnuts and crumbs' Pan di Stelle biscuit, without palm oil.
The subsidiary Barilla Danmark A/S was put into liquidation in January 2019 following transfer of the contract with the Danish distributor to the holding company Barilla Sverige AB.

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

The Group's Consolidated financial statements have been prepared in accordance with all the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU). IFRS comprise all of the International Financial Reporting Standards, International Accounting Standards (IAS) and the interpretations issued by the IFRS Interpretations Committee (IFRSIC), previously named the Standards Interpretations Committee (SIC).

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 as at 31 December 2018.
IFRS have been adopted in Italy and in other countries. A significant number of IFRS have recently been published or revised for which no established practice relating to their interpretation and application exists. Consequently, the Financial Statements have been prepared based on the most recent information and technical guidance available in respect of IFRS. Any new or revised interpretation or practice will be reflected in future financial statements in accordance with the relevant accounting standards.
The Financial Statements for the year ended 31 December 2018 have been compared with the prior year financial statements (amounts included in brackets in the Notes to the financial statements), and include the statement of financial position, consolidated income statement, statement of comprehensive income, statement of changes in equity, statement of cash flow and the Illustrative notes to the Consolidated financial statements. Where necessary, certain comparative data from prior year, as well as the relative disclosures, have been consistently reclassified. Amounts are presented in thousands of euro, the functional currency of the Group, being the euro the currency of the economy where the parent and the major companies of the Group operate.

The Group has chosen to present the income statement using the classification of expenses by function while the statement of financial position 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 labor costs, industrial depreciation and amortization and all other production expenses.
The cash flow statement has been presented applying the indirect method.
The consolidation principles, translation of financial statements

denominated in foreign currencies, accounting and valuation policies have been applied consistently with the accounts closed on 31 December 2017. The only exception is the adoption of the IFRS 15- 'Revenues from Contracts with Customers' accounting principle, for which comparative data have been restated in the Consolidated income statement.

The Group, in accordance with article 1 of the Italian Law n. 124/2017, relating the monitoring of public disbursement and later on complemented with the "Safety" Legislative Decree (n. 113/2018) and "Simplification" Legislative Decree (n. 135/2018), received, during 2018, disbursement equal to euro 3,668. A list of disbursements is provided in Appendix 4.

Accounting standards, amendments and interpretations effective from 1 January 2018

The following accounting standards, interpretations and amendments approved by the European Commission will be applicable for financial years beginning 1 January 2018.

IFRS 15 - 'Revenues from contracts with customers' and related Clarifications
The purpose of IFRS 15 is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The new standard introduces a new accounting model that requires five steps: (i) identifying a contract with a customer; (ii) identifying the performance obligations entailed by the contract; (iii) determining the transaction price; (iv) allocating the transaction price to the performance obligations; (v) recognizing revenues when the entity satisfies a performance obligation.

The Group applied the new amendment from 1 January 2018, without the early adoption granted by the standard. In the application of IFRS 15, the analytical activities on the major contracts and the determination of the connected impacts, the Group identified as main cases the costs relating the couponing redemption contracts.

The Group decided to adopt the principle retrospectively, therefore the effects relating the adoption generated a reclassification in the Consolidated income statement with a decrease of revenues and the connected Marketing cost.

In the following table we reported the consolidated income statement 2017, with the impact of the new principle:

(euro thousands)

	Consolidated Income Statement Year 2017	Effects from application IFRS 15	Restatement Year 2017 with the application IFRS 15
Revenues	3,467,931	(8,247)	3,459,684
Marketing Expenses	(425,062)	8,247	(416,815)

The above-mentioned reclassification has not any impact on 2017 'Operating profit' margin.

Annual Improvements to IFRS Standards 2014-2016 Cycle
The improvements will impact on: (i) IFRS 1 eliminating the short-term exemptions for first-time adopters; (ii) IAS 28 regarding the accounting treatment of associates and joint ventures; (iii) IFRS 12, clarifying the extension of the principle also to investments in companies classified as held for sale.

IFRIC 22 - 'Foreign Currency Transactions and Advance Consideration'
The standard clarifies the accounting for transactions that include the advance or prepaid in foreign currency non-monetary, prior the recognition of activity, cost or revenue. The amendment provides the indication to determine the transaction date and the spot rate in the case the prepaid payment.

Amendments to IAS 40 - 'Transfers of Investment Property'
The amendment provides guidance on transfers to, or from, investment properties, which is made only when there is an actual change in use supported by evidence; a change in management intention alone does not support a transfer.

Amendments to IFRS 2 - 'Classification and Measurement of Share-based Payment Transactions'
The amendments clarify the accounting of specific share-based payments.

Amendments to IFRS 4 - 'Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts'
The amendments establish two options for the entities who issue insurance contracts under IFRS 4: (i) the possibility to reclassify some costs and income related to designated financial activities in the Statement of comprehensive income; and (ii) the option of temporary exemption from the application of IFRS 9 until 2021 for the entities whose predominant activity is the issuing of insurance contracts.

As of now, the Group for the year 2018 is only subject to the application of IFRS 15.

Accounting standards, amendments and interpretations not yet effective and not early adopted by the Group

IFRS 16 - 'Leases' (mandatory application for financial years beginning on 1 January 2019)
The standard introduces a single accounting model for leases, or the lease component of a contract service, which removes the distinction currently existing between operating and finance lease from the perspective of a lessee. All the contracts in force, with the exception of short-term leases (duration lower than 12 months) or low-value assets (with respect to the price of a single item when new) should be recognized in the statement of financial position as a 'right-of-use' asset and respective lease liability. The asset will be classified among non-current tangible assets and depreciated in the income statement on a straight-line basis over its estimated useful life, whereas the measurement of the lease liability will vary according to the payment of capital quotas, with respective recognition of financial interest at income statement according to the internal rate of return (amortized cost method). The standard additionally provides specific application guidelines in the case of sub-leasing.
The Group decided to apply the new standard from 1 January 2019, without the early adoption granted by the standard. In the application

of IFRS 16, the analytical activities on the major contracts and the determination of the connected impacts, the Group identified as major cases all the contracts relating the rent of building, equipment and cars. The estimated effects with the adoption of the new principle are an increase, on 1 January 2019, for non-current assets and for the non-current liabilities of about 42 million of euro. The amount is different from the total of minimum future payment of operative leasing, reported in the chapter 6.7, for the discounted liabilities and for the cost relating the service not included in the amount of rent, in accordance with the new principle. The final outcomes could be subject to variations respect these estimations, because the Group is still working on the guideslines and on the control of the new IT systems; the new evaluation criteria could be subject to modification until the presentation of the first Group's Consolidated financial statement of the year 2019.

IFRIC 23 - 'Uncertainty over Income Tax Treatments' (mandatory application for financial years beginning on 1 January 2019)
The standard requires that in case of uncertainties determining the tax liabilities or assets, those should be recognized in the financial statements only when there is a probable certain that the company will paid or receive the amount. Moreover, the amendment clarifies that estimate relates to specific fiscal treatment should be reassessed in case of fact or environment changes that could modify the previous forecast.

Amendments to IFRS 9 - 'Prepayment Features with Negative Compensation' (mandatory application for financial years beginning on 1 January 2019)
The amendments allow companies with financial assets containing prepayment features with negative compensation can be measured at amortized cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

Amendments to IAS 28 - 'Long-term Interests in Associates and Joint Ventures' (mandatory application for financial years beginning on 1 January 2019)
The standards establish for the long-term interests in associates or joint ventures, for which is not applied the equity method, should be subject to the application of IFRS 9.

The Group is currently assessing the impact of the above listed amendments, except for IFRS 16.

Accounting standards, amendments and interpretations not yet approved by the European Union on 31 December 2018

The following accounting standard, amendments and interpretations were issued by the IASB but not yet approved by the EU:
• Amendments to IAS 19 - 'Plan Amendment, Curtailment or Settlement' (mandatory application for financial years beginning on 1 January 2019);
• Annual Cycle of Improvements to IFRS Standards 2015-2017 (mandatory application for financial years beginning on 1 January 2019);
• Amendments to References to the Conceptual Framework in IFRS Standards (mandatory application for financial years beginning on 1 January 2020);
• Amendment to IFRS 3 - 'Business Combinations' (mandatory application for financial years beginning on 1 January 2020);
• Amendments to IAS 1 and IAS 8 - Definition of Material (mandatory application for financial years beginning on 1 January 2020);
• IFRS 17 - Insurance Contracts (mandatory application for financial years beginning on 1 January 2021).

The Group is still evaluating the impact of application of the new above listed standards.

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 and the effect of business aggregations, with recognition of assets and liabilities subject to aggregation at fair value. The accounting policies are uniformly adopted by all Group companies.
The purchase or sale of financial assets are recognized or derecognized using settlement date accounting.

Estimates and assumptions
The preparation of the Financial Statements requires the management to adopt estimates based on subjective assumptions derived from historical experience that are considered reasonable and realistic in relation to the specific circumstances. Such 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 the 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 for other liabilities and charges.
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 judgment 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, including allocated goodwill, an impairment loss is recognized. Allocation of goodwill to the CGUs and determination of their value in use require 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 residual 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 fixed assets

The carrying amount of fixed assets 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 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 which may vary over time, affecting management valuations and estimates.

d. Deferred income tax assets

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.

Where applicable, deferred tax assets are netted with deferred tax liabilities.

e. Provisions for other liabilities and charges

Provisions are made to cover the potential liability relating to legal and tax risks. The measurement of the provisions recognized in the financial statements in relation to these risks, represents management's best 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, applying suitable valuation techniques with up-to-date financial variables used by market investors and, where possible, taking into account the prices of recent transactions on similar financial instruments.

The fair value hierarchy introduces three levels of input:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: prices calculated using observable market inputs;
- Level 3: prices calculated using inputs that are not based on observable market data.

The fair value of financial instruments of level 2 is determined by using standard valuation techniques. Barilla has developed a model based on market practices, which are commonly based on similar financial instruments indicators, cash flow analysis and pricing models based on observable market data. In the determination of the valuation, the Group maximizes the use of market data compared to internal specific estimates.

Principles of consolidation

The Financial Statements comprise the financial statements of the parent company Barilla Iniziative and the subsidiaries in which Barilla Iniziative holds, either directly or indirectly, a controlling interest.

Subsidiaries represent those companies over which Barilla Iniziative exercises control as it has the power, either directly or indirectly, over the investee or it is exposed to variable returns from its involvement with the subsidiary, or it has the rights to variable returns based on the ability to affect those returns through its power over the investee's significant activities.

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 such control ceases. All the transactions between the Group's legal entities are eliminated.

The reporting date of all Group companies is 31 December.

Non-controlling interests

Non-controlling interests are measured at their proportionate share of the net assets from the date of the acquisition.

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 exchange rate prevailing on the transaction date. Monetary assets and liabilities are translated using year-end exchange rates and exchange differences are recognized in the consolidated income statement as financial items. Non-monetary assets and liabilities, which are measured at historical cost and denominated in foreign currency, are converted at the exchange rate prevailing on the transaction date.

Translation of financial statements denominated in foreign currencies

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

- assets and liabilities are translated at the year-end rate;
- revenue and expenses are translated at average exchange rates for the period;
- all resulting translation differences are reported in the statement of comprehensive income.

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

The exchange rates used are presented in the Appendix 3.

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, comprising exclusively goodwill, are reviewed annually for impairment. Cost does not include capitalized borrowing costs. Amortization commences when the asset is available for use.

"A Food Revolution is necessary. The Earth is burning. We need to act now and must change our mentality": Guido Barilla, President of the Barilla Center for Food & Nutrition (BCFN) Foundation, calls on everyone to reflect on how we can contribute by making more sustainable and better informed choices every day.

November 2018 - 9th International Forum on Food and Nutrition

“EAT LESS, EAT BETTER, FOOD FOR ALL”

Guido Barilla

Goodwill

The positive difference between the purchase price and the Group's share of the fair value of assets, liabilities and contingent liabilities acquired as part of a business combination, is recorded as goodwill and is classified as an intangible asset with an indefinite useful life, if recoverable with future cash flows.

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). Goodwill impairment losses may not be reversed under no circumstances.

Trademarks and licenses

Trademarks and licenses are valued at cost less amortization and accumulated impairment losses. Trademarks are amortized over their useful lives while licenses are amortized over the lower of the contract duration and their useful lives.

Software

The cost of software licenses, including other incremental costs, is capitalized and recorded in the financial statements net of amortization and accumulated impairment losses.

Research and development costs

The research costs relating to new products and/or processes are entirely expensed when 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:

Category	Useful life
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, potentially revalued without exceeding the fair value according to designated monetary revaluation laws, 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. Based on the type of investment activities, cost does not generally include capitalized borrowing costs.

Depreciation is recorded from the month in which the asset is available for use, or when it is potentially able to provide economic benefits.

Depreciation is calculated systematically on a monthly basis applying depreciation rates that allocate the depreciable amount of the asset over its useful life or, where the asset is disposed of, up until the last entire month of use.

The useful lives, which have been reviewed during the year 2017, for the newly capitalized assets starting from 1 January 2017, as a result of the new technology and production processes, are set out as follows:

Category	Useful life until 31 December 2016	Useful life from 1 January 2017
Buildings	33 years	15 - 50 years
Plant and machinery:		
- generic	13 years	10 - 30 years
- specific	10 - 20 years	5 - 30 years
- highly-technological	5 - 8 years	10 years
Industrial and commercial equipment:		
- furniture and fittings	8 years	8.33 years
- electronic machinery	3.5 years	2 - 3.5 years
Motor vehicles	5 years	5 years
Other equipment	2.5 v	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 between 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, the present value of the minimum lease payment obligations, including any amounts to be paid upon 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 contract maturity; 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 of a loss in value, an impairment test should be carried out on property, plant and equipment and intangible assets.

The impairment test consists in the measurement of the recoverable value of the assets and comparison with the related carrying amount. If the recoverable amount of an asset is lower than its carrying amount, the latter should be reduced to the recoverable amount. This reduction represents an impairment loss and should be recognized as an expense in the consolidated income statement. In respect 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 finite useful lives 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: trend 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 net of selling costs and value in use. The value in use is determined as the present 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 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 if the original impairment had not been incurred. This restatement is recorded in the consolidated income statement.

Purchased goodwill that is allocated to units or groups of cash generating units (CGU) 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 at the purchase date to each of the CGUs or groups of CGUs that are expected to benefit from the acquisition.

Where the carrying value of the CGU (or groups of CGUs) is higher than the respective recoverable amount, an impairment loss is recognized as an expense in the consolidated income statement. Under no circumstances the value of goodwill which was formerly impaired may be restored.

The impairment loss is initially recorded as a reduction in the carrying amount of the goodwill allocated to the CGU (or group of CGUs) 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 the business plans prepared by Group management, 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 CGUs) 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 CGUs) operates.

The future cash flows are estimated with reference to current conditions of the CGUs 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 level.

For the purpose of the impairment test, goodwill is allocated to groups of CGUs, as described in Directors' Report in the paragraph 'Group operating activities'.

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 restatement of the carrying value of the 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 divided based on their type:

- Debt instruments
- Equity instruments

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 the risks and rewards relating to the asset.

Debt instruments are measured as follows:

(a) Amortized costs

Debt instruments measured at amortized costs are simple financial instruments that involve exclusively the payment of principal and interest and are owned with the aim to collect contractual cash flows ("Held to collect").

These financial assets are recognized initially at fair value, adding the transactions costs, and are subsequently accounted for at amortized cost using the effective interest rate, net of impairment losses.

The interests, foreign exchange differences, impairment losses, gains/(losses) for cash flow forecast reviews and for derecognition are recorded in the consolidated income statement.

The instruments are classified as current assets, with the exception of those having contractual maturity after twelve months from the reporting date, which are classified as non-current assets.

Trade receivables due within one year are recognized at fair value, which normally coincides with the nominal value.

The receivables that have been securitized or transferred to factor, with or without recourse, which do not fulfill all the required conditions for derecognition of financial assets, are maintained among the assets in the statement of financial position; a financial liability with equivalent amount is recorded in the financial

statements as "Payables due to banks".
The receivables that have been transferred, which fulfill all the required conditions for derecognition of financial assets, are derecognized at the time of the transfer. The gains or losses related to the transfer of these assets are recognized into the consolidated income statement when the same assets are removed from the statement of financial position, being the only aim of the transfer to collect cash flows.

(b) Fair Value through Other Comprehensive Income - OCI
The financial assets valued at Fair value through Other Comprehensive Income are represented by simple instruments that involve exclusively the payment of principal and interest held with the aim to collect contractual cash flows and potential/possible sales.
The gains and losses originating from the changes in fair value are recognized in the other comprehensive income (OCI) in the period that they are incurred. The possible reclassification to the consolidated income statement at the line "Profit/loss for change in fair value of financial assets" is made only when the financial asset is effectively transferred.
The interests, foreign exchange differences and the impairment losses are instead recorded in the consolidated income statement.

(c) Fair Value Through Profit and Loss
The assets valued at Fair value through Profit and Loss are complex instruments that are held for other purposes than the collection of contractual cash flows.
The changes in fair value, foreign exchange differences and the gains/(losses) for derecognition are recognized in the consolidated income statement.

At each reporting date the Group evaluates the expected losses related to the debt instruments measured at amortized cost, mainly represented by trade receivables and financial assets at Fair value through Other Comprehensive Income.
According to the general principle, all financial assets at initial recognition are subject to impairment using the "12-month expected credit loss" methodology, that is assessing the expected loss of the asset for all default events that may occur within the next twelve months after the reporting date (Stage I financial assets).
In case a significant increase in credit risk occurs subsequently to the initial recognition (Stage 2 financial assets) and when there is objective evidence of impairment (Stage 3 financial assets), the loss allowance should be measured according to the "lifetime expected credit losses" methodology, that is assessing the expected loss for all default events that may occur over the whole lifetime of the instrument.
For the financial receivables without a significant financial component, a simplified approach is applied that allows to calculate the expected losses always based on the "lifetime expected credit losses" method.
Expected credit losses are calculated based on the probability of default, on the expected exposure at the time of default (EAD - Exposure at default) evaluated from the future cash flows and the estimated loss in case of default (LGD - Loss given default).
The loss allowance is accounted for as an adjustment of the carrying value of the instrument, except in the case of financial assets at Fair Value through Other Comprehensive Income where it is recorded in the other comprehensive income (OCI).

Equity instruments are valued at Fair Value Through Profit and Loss in case the entity does not opt for the irrevocable option at Fair Value through Other Comprehensive Income at initial recognition.
If the aforesaid option is adopted for some investments, the initial carrying amount of the instrument will amount to the sum of fair value and transaction costs, if any. The subsequent changes in fair value, the foreign exchange differences, the impairment losses and the gains/(losses) for derecognition are recorded in the other comprehensive income applying the accrual basis.
So far, the Group has not exercised the option for any equity instrument.
If the option is not exercised, the changes in fair value, the gains and the losses for derecognition are recognized in the relative items of the consolidated income statement.
In any case, dividends coming from the equity participations are shown as dividend income in the consolidated income statement under the heading "Dividends" when the Group has acquired the right to receive this payment.

Financial liabilities
The financial liabilities that are not held for trading are initially recorded at fair value net of transaction costs, and subsequently to the initial recognition 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.
Upon initial recognition, the fair value option can instead be exercised (Fair Value Through Profit and Loss) only to avoid an "accounting mismatch" between the asset and its respective liability or when the liability is based on fair value or in case the liability includes an embedded derivative to separate.

Financial liabilities are classified as current liabilities unless the Group has, at the reporting date, an unconditional right to extend the term of the financing at least over twelve months from the end of the period.
Trade payables and other payables whose maturity fall within the normal commercial terms are recognized at fair value which normally coincides with the nominal value.
In case of financial liabilities hedged by fair value hedge derivative instruments, their carrying value is determined based on the fair value of the corresponding hypothetical derivative, which represents a hypothetical derivative contract calibrated at a null value at the time of designation of the hedging relationship.

Inventories
Inventories are stated at the lower of cost, measured applying the FIFO (first in - first out) method, and net realizable value. To account for obsolete or slow-moving inventory provisions are recognized, that are reversed if the circumstances of the abovementioned provisions are no longer applicable. The repackaging materials are managed as inventory and valued at weighted average cost.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, bank and postal deposits and short-term highly liquid investments that are readily convertible into cash (three months from the date of acquisition) and 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 Actuarial 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. Remeasurements of actuarial gains and losses arising on the above adjustments and changes in the actuarial assumptions are reflected in the statement of comprehensive income.
Service costs and net interest related to the time value in the actuarial calculation (classified within "Finance income and costs") are recognized in the consolidated income statement.

(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 and 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.

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 can 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 country risk. Any adjustment to the estimated provision is recognized in the consolidated 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 valid expectation in those affected by the plan that the restructuring will be carried out.
Provisions for tax risks are recognized in view of probable tax liabilities for assessments notified to the Group not yet settled at the reporting date.

Derivative financial instruments

Accounting for derivative financial instruments

Derivative financial instruments are measured at fair value, with any difference charged to the consolidated income statement, 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 objectives and the hedging strategy adopted.
The Group also documents the valuation methodology and the hedging instrument's effectiveness to compensate changes attributable to the hedged risk based on changes in the fair value of the hedging instrument 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. At the same time, the potential causes of hedging ineffectiveness are reported.

Categories of derivatives

Hedging instruments are categorized as follows:

I) Derivatives designated as cash flow hedge: if the hedging instrument is designated to cover the exposure to fluctuation in cash flows attributable to a particular risk associated with a recognized asset or liability, or a highly foreseeable 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 consolidated 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 income/costs, respectively. The amounts directly recognized in the statement of comprehensive income are reclassified into the consolidated income statement in the period in which the hedged item affects profit or loss. When a hedging instrument reaches maturity, or it is sold, or it 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 consolidated 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 consolidated income statement, the accumulated fair value adjustments are immediately recognized in the consolidated income statement. For the valuation of the financial liabilities hedged by cash flow hedges, please refer to the specific paragraph.

II) Derivatives designated as fair value hedge are classified based on the hedged item. The accounting treatment of changes in fair value is the following:
   a) when the hedge item relates to commodities, the variation is classified as operating income/costs;
   b) when the hedged item is purely financial, the variation is classified as follows:
      - the difference between the valuation, at reporting date, of the mark-to-market actual derivative, which includes the interest rate basis spread component (hereafter 'basis'), and the mark-to-market actual derivative without basis is recognized in the statement of comprehensive income;
      - the basis component of the derivative, as calculated at the inception date, is spread over the consolidated income statement on a straight-line basis over the life of the instrument;
      - the foreign exchange differences and the interest component,

At Cibus, the International Food Exhibition, the Michelin-star chef Antonino Cannavacciuolo presents the new Voiello pasta shapes that bear his signature: Paccheri, Calamarata, Linguine Rigate and Ziti Doppia Rigatura.

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excluding the basis effect described above, are recognized in the consolidated income statement at the line "finance income and costs"; refer to the dedicated paragraph for further details about the valuation of the hedged item.

At the time the financial instrument is transferred, the residual portion of the basis recorded in the other comprehensive income (OCI) is reclassified into the consolidated income statement.

III) 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 from changes in the fair value of these instruments is recognized in the consolidated income statement. Depending on the nature of the underlying instrument, financial or commodity related, the variation of fair value is classified in either finance income/costs on financial transactions or operating income/costs, 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, also considering the market interest rates and the creditworthiness of counterparties. The fair value of forward foreign exchange contracts is determined using the forward exchange market rates at the balance sheet date.

The fair value of other hedging instruments listed on an active market is based on the market prices prevailing at the balance sheet date.

The fair value of unlisted instruments is determined using valuation techniques based on a commonly adopted 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 selling costs.

The results and the carrying amount of a component of an entity that represents a separate major line of business or geographical area, or even a operative segment, of operations are classified separately in the income statement and in the balance sheet (in case of 'held for sale' only) when they meet the conditions to be classified as held for sale or discontinued operations.

Total equity

Costs directly attributable to share capital transactions 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, discounts and consideration payables to customers (for example, couponing redemption costs) according to the accrual principle and to the standard that requires five steps: (i) identifying a contract with a customer; (ii) identifying the performance obligations entailed by the contract; (iii) determining the transaction price; (iv) allocating the transaction price to the performance obligations; (v) recognizing revenues when the entity satisfies a performance obligation.

Sale of products

Revenue from product sales is recognized when for each performance obligation all of the following conditions are met, which normally take 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 is transferred;
- the amount of revenue can be reliably measured;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the costs incurred or to be incurred in respect of the transaction can be reliably measured.

Dividends

Dividends received from not consolidated entities are recognized when the legal right to receive payment is established.

Government grants

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

Finance income and costs

Finance income and costs are recorded on an accrual basis and comprise: interest payable accrued on all the borrowings, interest income on cash and cash equivalents and similar securities, dividends, foreign exchange gains and losses and the financial impact arising from hedging transactions over the exposure to interest rate and foreign exchange risk that are booked in the consolidated income statement.

Taxation

Taxation includes both current and deferred income taxes. Current income taxes are based on the estimated amount that the Group expects to pay calculated by applying to the taxable income the enacted tax rates, or those substantially enacted, in each of the relevant tax jurisdictions.

Deferred income tax assets and liabilities are determined applying the liability method, whereby all of the temporary differences between the tax bases of assets and liabilities and the carrying amounts at the balance sheet date, except for goodwill, are calculated. Deferred income tax assets and liabilities are measured using the tax rates that are expected to apply in the period when the asset will be realized or the liability settled. Income taxes arising upon distribution of dividends are recognized at the time of 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 authority, when 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 when the legal obligation of payment is established.

Transactions with non-controlling interests

The acquisition and disposal of non-controlling interests in companies whose control is already effective 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 consolidation area has varied following the acquisition of MXO Global Inc., which owns the Tolerant brand that is specialized in the production of gluten free, legume based pasta, with revenues 2018 around canadian dollar 2.8 million, equal to euro 1.8 million (values relating 1 year) and for the foundation of commercial company MXO USA Inc.
Please refer to Annexes 1 and 2 for the full list of investments entities.

6. Notes to the consolidated financial statements

Statement of financial position

6.1 Cash and cash equivalents

Cash and cash equivalents, which amounts to euro 295,982 (euro 246,893), include bank and postal deposit accounts held in primary financial institutions, cheques and other cash on hand.
The change in cash and cash equivalents recorded during the year is reported in the statement of cash flow.

6.2 Trade receivables

	12/31/2018	12/31/2017
Trade receivables	456,977	461,336
Allowance for doubtful accounts	(37,671)	(32,878)
Total	**419,306**	**428,458**

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. The charges to and utilization of the allowance for doubtful accounts are included in "Other income and expenses" in the consolidated income statement under the sub-headings "Allowance and losses on trade receivables" and "Net charges to/ utilization of provisions", respectively.
The fair value of trade receivables approximates their carrying amount at the year-end. This also represents the maximum exposure to credit risk.

Detail of receivables by maturity, net of allowance for doubtful accounts, is as follows:

	2018	2017
Not yet overdue	393,871	392,231
Less than 3 months	24,243	32,741
Between 3 and 6 months	948	2,350
Between 6 and 12 months	244	1,136
Total	**419,306**	**428,458**

At year-end all trade receivables past due are subject to certain analyses for the identification of possible risks of customer insolvency.

Movements in the allowance for doubtful accounts are as follows:

	2018	2017
Opening balance	**32,878**	**37,095**
Charges	6,064	930
Utilization and release	(1,345)	(4,687)
Foreign exchange differences	74	(460)
Closing balance	**37,671**	**32,878**

6.3 Tax credits

Tax credits for euro 19,602 (euro 28,541) represent the amounts due from tax authorities in the various countries where the Group operates. The fair value of tax credits substantially approximates their carrying value.

6.4 Other receivables due from parent company

The balance of euro 5,504 (euro 26,984), that includes a current portion for euro 2,646 (euro 16,662) and a non-current portion for euro 2,858 (euro 10,322), relates to the amount due from the parent companies CO.FI.BA. S.r.l., as the result of the participation in the group tax consolidation regime.

6.5 Other assets

The balance is detailed as follow:

	12/31/2018	12/31/2017
VAT receivables	45,883	50,543
Amounts due from factoring entities	40,679	14,853
Other receivables	7,344	7,927
Accrued income and prepayments	5,263	6,962
Amounts due from social security authorities	4,452	3,080
Supplier advances	3,567	6,528
Amounts due from employees	3,518	3,466
Guarantee deposits	530	726
Total	**111,236**	**94,085**

During the year, VAT receivables were collected in Italy for euro 58.9 million.
The amounts due from factoring entities comprise receivables due from factoring companies in respect of trade receivables sold but not yet paid. The variation compared to the previous year is due to the advances of trade receivables sold to factoring entities.
Accrued income and prepayments variation is connected to the write off of the expenses relating the prior "Revolving" credit facility, negotiated during the year, for euro 1,366; the amount charged in the consolidated income statement in the line "Finance income and (cost)" (note 6.27). The remain part of Accrued income and prepayments comprise rent and insurance premiums.

The fair value of receivables substantially approximates the carrying value.

6.6 Inventories

Inventories are detailed as follows:

	12/31/2018	12/31/2017
Raw materials and semi-finished goods	134,094	123,733
Finished goods	168,090	154,296
Advances	558	4,688
Total	**302,742**	**282,717**

Movements in the inventory obsolescence provision are detailed as follows:

	2018	2017
Opening balance	**7,814**	**6,732**
Charges	1,672	3,735
Utilization	(4,138)	(2,476)
Foreign exchange differences	(14)	(177)
Closing balance	**5,334**	**7,814**

6.7 Property, plant and equipment

Movements in property, plant and equipment are as follows:

	Land	Buildings	Plant and machinery	Industrial and commercial equipment	Other assets	Assets under construction	Total
Movements in 2017							
Net book amounts at 1/1/2017	**31,113**	**306,768**	**523,049**	**18,420**	**9,069**	**44,256**	**932,675**
Capital expenditure	-	-	-	-	-	208,373	208,373
Capitalizations	1,332	15,497	114,650	6,931	4,027	(142,437)	-
Grants received	-	(934)	(147)	-	-	-	(1,081)
Disposals - Cost	-	(598)	(42,453)	(2,489)	(5,332)	-	(50,872)
Disposals - Utilization of accumulated depreciation	-	501	39,757	2,266	5,332	-	47,856
Depreciation and impairment losses	-	(18,995)	(83,838)	(6,908)	(3,224)	-	(112,965)
Foreign exchange differences	(1,091)	(3,324)	(11,979)	(4,579)	(667)	(1,201)	(22,841)
Net book amounts at 12/31/2017	**31,354**	**298,915**	**539,039**	**13,641**	**9,205**	**108,991**	**1,001,145**
Of which:							
Historical cost	31,354	652,433	2,367,249	107,764	60,470	108,991	3,328,261
Depreciation and accumulated impairment losses		(353,518)	(1,828,210)	(94,123)	(51,265)		(2,327,116)
Movements in 2018							
Capital expenditure	-	-	-	-	-	226,987	226,987
Capitalizations	5,594	47,409	146,650	15,909	3,695	(219,257)	-
Disposals - Cost	-	(2,734)	(62,943)	(16,073)	(1,626)	-	(83,376)
Disposals - Utilization of accumulated depreciation	-	2,302	58,816	14,894	1,555	-	77,567
Depreciation and impairment losses	-	(24,702)	(84,898)	(7,038)	(3,871)	-	(120,509)
Foreign exchange differences	356	(516)	(259)	(177)	(428)	901	(123)
Net book amounts at 12/31/2018	**37,304**	**320,674**	**596,405**	**21,156**	**8,530**	**117,622**	**1,101,691**
Of which:							
Historical cost	37,304	696,136	2,448,367	107,447	61,436	117,622	3,468,312
Depreciation and accumulated impairment losses		(375,462)	(1,851,962)	(86,291)	(52,906)		(2,366,621)

As of 31 December 2018, the accumulated impairment losses amounted to euro 20,992 (euro 16,376).

Finance leases

The net book value of assets held under finance leases amounted to euro 9,165 (euro 12,926) and comprised:

	Buildings	Plant and machinery	Total
At 12/31/2018	681	8,484	**9,165**
At 12/31/2017	745	12,181	**12,926**

The details of the main lease contracts outstanding at 31 December 2018 are provided below:

- Barilla G. e R. Fratelli has two finance lease contracts relating to the cogeneration plants in Italy, amounting to euro 7,499, which will expire in 2020 and 2022 with purchase options available at the end of the lease term;
- Barilla Deutschland has entered a finance lease contract for a mill that will expire in 2029. The net book value at 31 December 2018 amounted to euro 1,666.

The present value of future financial minimum lease payments undiscounted by maturity is as follows:

	12/31/2018	12/31/2017
Not later than one year	5,052	5,052
Later than 1 year and not later than 5 years	6,141	10,939
Later than 5 years	1,422	1,676
Total value of future minimum lease payments	**12,615**	**17,667**

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

	12/31/2018	12/31/2017
Total future minimum lease payments	12,615	17,667
Interest	(1,203)	(1,937)
Present value of lease payments	**11,412**	**15,730**

Operating leases

The future minimum lease payments by maturity under the major operating lease contracts with duration longer than one year are as follows:

	2018	2017
Not later than one year	15,092	13,526
Later than 1 year and not later than 5 years	29,131	31,707
Later than 5 years	8,324	28,354
Total future minimum lease payments	**52,547**	**73,587**

The decrease is manly concerning the closure of American Restaurants.

Total net operating lease payments recognized in the consolidated income statement amounted to euro 28,752 (euro 27,787).

6.8 Goodwill

Movements in goodwill are as follows:

	Goodwill
Movements in 2017	
Opening balance at 1/1/2017	**471,793**
Foreign exchange differences	(4,539)
Total at 12/31/2017	**467,254**
Movements in 2018	
Impairment	(3,567)
Foreign exchange differences	(5,690)
Total at 12/31/2018	**457,997**
- of which gross value	489,918
- of which accumulated impairments	(31,921)

The impairment is equal to 31,921 euro, related for 28,354 euro to impairment of prior years, and for the residual amount of 3,567 euro, for the adjustment on historical impairment done during 2018.

An analysis of goodwill by groups of CGU for impairment test purposes at 31 December 2018 is summarized in the table below:

Identified Groups of CGU	Amount
Europe - Bakery	456,256
Other minor	1,741
Total	**457,997**

The annual impairment test on goodwill consists in estimating the recoverable amount of the groups of cash generating units to which the goodwill is allocated and comparison with the carrying value of the related assets including goodwill. The recoverable amount of the groups of cash generating units was determined based on the value in use, calculated as the present value of the 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 with varying detail depending on specific requirements and the relevance of the selected variables, starting from a series of key macroeconomic indicators (e.g. foreign exchange rates, inflation rates, market assumptions) and economic-financial targets.

Group management formulates the qualitative and quantitative content of the plan used for the relevant impairment. The flows deriving from groups of cash generating units at the end of the plan period correspond to the perpetual income based on the final year of the plan, appropriately normalized.

The key assumptions used to perform the impairment test are as follows:

Identified Groups of CGU	Discount rate		Growth rate	
	2018	2017	2018	2017
Europe Region - Bakery	7.3%	6.9%	1.9%	1.9%

Based on the annual impairment test as of 31 December 2018, no further impairment is required.
Sensitivity analysis on the key assumptions has demonstrated that the variations necessary for a consequent impairment of the CGUs to which the goodwill is allocated are remote, due to a significantly higher excess value compared to the carrying amount of the group of cash generating units.
The goodwill denominated in foreign currencies, mainly in Swedish Krone and Norwegian Krone have undergone a change in value due to the accumulated impact of exchange rates fluctuation.
At 31 December 2018 the effect of conversion shows mainly a net accumulated loss of euro 18,974.

6.9 Other intangible assets

Other intangible assets consist of the following:

	Licenses and software	Trademarks	Other	Assets under construction	Total
Movements in 2017					
Opening balance at 1/1/2017	**16,975**	**20,319**	**42**	**1,837**	**39,173**
Acquisitions and capitalizations	6,785	1,575	304	2,981	11,645
Foreign exchange differences	(54)	(64)	5	(20)	(133)
Disposals	-	-	(39)	-	(39)
Amortization	(6,284)	(11,495)	(11)	-	(17,790)
Total at 12/31/2017	**17,422**	**10,335**	**301**	**4,798**	**32,856**
Of which:					
Historical cost	110,020	265,644	582	4,798	381,044
Amortization and accumulated impairment losses	(92,598)	(255,309)	(281)		(348,187)
Movements in 2018					
Acquisitions and capitalizations	5,442	1,108	117	4,420	11,087
Change in scope of consolidation	-	1,134	-	-	1,134
Foreign exchange differences	(18)	5	(1)	16	2
Disposals	(4)	-	(16)	-	(20)
Amortization	(6,666)	(9,834)	(377)	-	(16,877)
Total at 12/31/2018	**16,176**	**2,748**	**24**	**9,234**	**28,182**
Of which:					
Historical cost	115,339	266,282	615	9,234	391,470
Amortization and accumulated impairment losses	(99,163)	(263,534)	(591)		(363,288)

“Trademarks” relates principally to Harrys and to the new brand Tolerant, reported in the table under the voice “Change in scope of consolidation”, following the acquisition of MXO Global Inc., which owns the Tolerant brand specialized in the production of gluten free, legume based pasta.
The trademarks of Barilla G. e R. (Barilla, Mulino Bianco) have not been recognized in the financial statements as they were developed internally.
The increase in “Licenses and software” and “Assets under construction” refers for euro 9,158 (euro 9,264) to the new software “Enterprise Performance Management” (EPM), software for controlling and management system, and the “Tax Control Framework” (TCF), for administrative and fiscal project.
The amount of “Assets under construction” mainly relates to the costs for the software not yet in use.

"Cooking is an Art" is the exclusive pack of Barilla Spaghetti Nº5 created by the artist Olimpia Zagnoli for the guests of the seventh edition of the Barilla Pasta World Championship.

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6.10 Trade and other receivables

The balance comprises:

	12/31/2018	12/31/2017
Guarantee deposits	527	644
Other non-current receivables	1,411	1,846
Total	**1,938**	**2,490**

The fair value of trade and other receivables approximates their carrying value.

6.11 Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are recognized separately in the statement of financial position, exclusively in relation to temporary differences between the carrying value of assets and liabilities in the balance sheet and their tax base.

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 the tax differences that will be reversed.

The table below illustrates the composition and movements in deferred income tax assets and liabilities represented as net for each entity where they could be actually offset by underlying balance sheet items and period of generation:

2018	Opening balance	Reversals/charges through income statement	Impact on equity	Foreign exchange impact	Closing balance
Deferred taxes					
Property, plant and equipment	(43,098)	1,652	-	(384)	(41,830)
Leasing	4,416	(1,719)	-	(8)	2,689
Intangible assets	2,007	(93)	-	(23)	1,891
Financial liabilities and derivatives	549	122	(1,920)	(5)	(1,254)
Inventories	4,256	(412)	-	33	3,877
Spare parts	5,624	292	-	44	5,960
Provisions for other liabilities and charges	32,844	(1,380)	-	9	31,473
Pension funds	15,622	(752)	(180)	(176)	14,514
Tax losses carried forward	963	6,785	-	(343)	7,405
Other	4,105	2,369	-	59	6,533
Total	**27,288**	**6,864**	**(2,100)**	**(794)**	**31,258**
Deferred income tax assets	41,902				37,842
Deferred income tax liabilities	(14,614)				(6,584)
Total	**27,288**				**31,258**

2017	Opening balance	IFRS 9 Adoption	Reversals/charges through income statement	Impact on equity	Foreign exchange impact	Closing balance
Deferred taxes						
Property, plant and equipment	(53,584)	-	8,884	-	1,602	(43,098)
Leasing	5,514	-	(1,103)	-	5	4,416
Intangible assets	2,155	-	(136)	-	(12)	2,007
Financial liabilities and derivatives	(2,462)	849	2,661	(488)	(11)	549
Inventories	5,168	-	(846)	-	(66)	4,256
Spare parts	7,056	-	(1,110)	-	(322)	5,624
Provisions for other liabilities and charges	31,267	-	1,732	-	(155)	32,844
Pension funds	15,435	-	595	(260)	(148)	15,622
Tax losses carried forward	2,017	-	(891)	-	(163)	963
Other	11,898	-	(6,967)	-	(826)	4,105
Total	**24,464**	**849**	**2,819**	**(748)**	**(96)**	**27,288**
Deferred income tax assets	67,978					41,902
Deferred income tax liabilities	(43,514)					(14,614)
Total	**24,464**					**27,288**

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

6.12 Equity instruments

The item principally comprises equity investments in BRW S.p.A., amounting to euro 680 and other minor non-current financial assets totaling euro 1,025 (euro 1,297).
According to the accounting standard IFRS 9, in 2018 the Group aligned the carrying value of its equity instruments to their fair value. The relevant change in fair value of euro 343 was booked in the consolidated income statement line "Finance income and (costs)" (note 6.27).

6.13 Trade payables

Trade payables, which amounted to euro 744,314 (euro 752,189), 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 amount includes euro 2,779 (euro 1,926) due to BRW S.p.A. The balance includes the amounts due to co-packers, which are governed by medium/long-term supply contracts negotiated at arm's length, that establish guaranteed minimums disclosed in contractual commitments for finished good supplies.

6.14 Borrowings

Current borrowings, classified as current liabilities, comprise amounts due within one year and are detailed as follows:

	12/31/2018	12/31/2017
Bonds	-	62,917
Short-term portion of bank overdrafts and leasing obligations	19,723	15,801
Current portion of long-term bank loans	6,350	6,236
Total borrowings	**26,073**	**84,954**

The portion of bonds due in 2017 amounted to euro 62,917; being the first tranche of the bonds issued in 2011 and amounting to USD 75 million which was repaid on the maturity date on 15 July 2018.
The short-term portion of bank overdrafts and leasing obligations comprise bank overdrafts amounting to euro 1,007 (euro 971), the amounts due to leasing companies within 12 months for euro 4,562 (euro 4,318), loans due within one year for euro 14,154 (euro 10,512, included loans for export financing for euro 330).
A new medium- long term loans has been issued during the year, with an initial amount of 536 euro; the maturity date is in January 2023, in the face of demand of non-repayable grant to region Piemonte (Italy), for an investment on energy-saving in plant of Novara. The short-term amount is equal to 107 euro, included in the "Current portion of long-term bank loans". This item includes also the loan with the European Investment Bank (EIB), amounting to euro 6,243 (euro 6,236).
Current borrowings are measured at amortized cost, which is deemed to represent their fair value. Bank borrowings are not guaranteed by property, plant and equipment.
Bank borrowings are not guaranteed by property, plant and equipment.
Refer to note 6.19 for the reconciliation of the changes in liabilities arising from financing activities, within and after one year, as highlighted in section "Net cash from financing activities" of the statement of cash flows.

6.15 Retirement benefit obligations

Retirement benefit obligations comprise amounts paid to employee defined benefit plans, including the staff leaving indemnity fund (TFR), equivalent plans and pension schemes.
Total obligations relating to future benefits payable to employees amounts to euro 146,829 (euro 147,263), of which amounts due within one year are euro 11,305 (euro 11,234) and due after more than one year are euro 135,524 (euro 136,029), net of plan assets for euro 3,564 (euro 3,760).

In Italy, the staff leaving indemnity (TFR) represents the deferred compensation payable by companies to employees on termination of employment, in accordance with article 2120 of the Italian Civil Code. Following reforms introduced in the Italian law, the TFR provision matured up to 31 December 2006 is still considered a defined contribution plan, while the portion further matured is annually paid to managing institution.
The principal specific risks related to this plan refers to the accrued benefit that is payable to the members as a lump sum when retiring or leaving the company. According to the Italian law, it is also possible to receive an advance from the total accumulated benefit. Therefore, there is the risk that members will leave the plan sooner than expected or demand an advance payment in a larger size than expected, generating an actuarial loss in the plan due to cash flow acceleration. Other risks to which the plans are exposed are limited to inflation, to which the accrued benefits are linked, and discount rate.

The foreign other plans and pension schemes relate to companies operating in France, Greece, Germany, Sweden, Turkey, Norway, Mexico and Switzerland.

The principal features of some of the most significant plans are as follows:

- In France, there are the "Retirement Indemnity Plan" and the "Long Service Awards Plan". The first plan confers the right to receive a sum of money on termination of employment upon retirement, in proportion to the number of years of service, final salary levels and whether termination was voluntary or not. The specific risks are related to the fact that Retirement Indemnity Plans are mandatory by law and are defined by national bargaining agreements, therefore these plans are subject to the legislative risk and rate of withdrawal of beneficiary from the plan. The "Long Service Awards Plans" pay benefits at any defined anniversary of working life related to the service in the company. The awards paid are exempt of payroll taxes within the value of one month of salary. The main risks on these plans are linked to changes of fiscal legislation risk characterizing them that could require additional costs. Other risks that can be identified are related to the change in the discount rate and withdrawal rate of employees;
- In Greece, there is the pension plan (Retirement Indemnity Plan) which provides that the employer is required to pay an indemnity where the employee has reached pensionable age or employment is terminated involuntarily. The payment indemnity received from the employee depends on several factors including years of service, the equivalent monthly salary in the last year of service (including bonuses) and the reason for termination. The indemnity paid by the entity is for

several months and not one-off, based on a scale of multiples in relation to years of service and also taking into consideration the reason for termination. Main risks are related to the changes in the discount rate;

- In Germany, the pension plan paid by the entity when the employee has reached pensionable age or in case of disability, with the possibility of the right of pension plan for the assisting spouse. The pension 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 taking into consideration the increase of salaries and longevity risk. The risk connected to this plan, linked to national contracts, is relating to pension increased established by the local law, that may have to be increased retrospectively (up to a limit of three years) as well as in respect of future increases;
- In Sweden, "IPT2 Plan" is the pension scheme for white collar employees based on the collective bargaining agreement. The risks are linked to any changes on the collective bargaining agreement. An external influence on the possible increase in pensions derives from the funding level in the short term of the monopoly insurer of plans in Sweden.

The retirement benefit obligations are determined applying actuarial calculations carried out by an independent expert or company and are adjusted for events that require changes to be reflected therein. The last actuarial valuation was performed at 31 December 2018 using the projected unit credit method, under which the present value of future retirement obligations to be paid is determined.

	12/31/2018	12/31/2017
Opening balance	**147,263**	**149,282**
Services costs	3,796	4,015
Settlement and plans amendments	-	519
Finance costs	2,412	2,478
Actuarial (gains)/losses	232	(1,905)
Exchange differences for the year	(1,243)	(1,155)
Benefits paid	(5,631)	(5,971)
Closing balance	**146,829**	**147,263**
Of which:		
- Due within one year	11,305	11,234
- Due after one year	135,524	136,029

Services costs relate to the charges for the year.
As of 31 December 2017, the line "Settlements and plan amendments", was mainly related to the labour reform which was introduced in France in September 2017.

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

2018	Discount rate	Expected rate of return on plan assets	Estimated salary growth	Inflation rate
Italy	1.4%	n.a.	2.72%	1.75%
Germany	(0.10)% 1.50% 1.75%	1.74%	2.25%	-
France	1.20% 1.65%	1.64%	1.75% 2.25%	1.75%
Greece	1.75%	n.a.	1.50%	1.50%
Mexico	9.00%	9.00%	4.50%	3.50%
Norway	2.60%	2.60%	2.50%	1.50%
Sweden	2.30%	n.a.	3.00%	2.00%
Turkey	16.00%	n.a.	6.50%	5.00%
Switzerland	0.85%	0.85%	1.00%	1.00%

2017	Discount rate	Expected rate of return on plan assets	Estimated salary growth	Inflation rate
Italy	1.30%	n.a.	n.a.	1.75%
Germany	1.30% 1.70%	1.69%	2.25%	-
France	1.10% 1.70%	1.68%	1.75% 2.25%	1.75%
Greece	1.70%	n.a.	1.50%	1.50%
Mexico	8.00%	8.00%	4.50%	3.50%
Norway	2.40%	2.40%	2.50%	1.50%
Sweden	2.50%	n.a.	3.00%	2.00%
Turkey	11.55%	n.a.	6.50%	5.00%
Switzerland	0.75%	0.75%	1.00%	1.00%

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

	12/31/2018	12/31/2017
Cost of sales	1,349	1,610
Logistics costs	221	327
Selling costs	683	860
Marketing costs	96	102
General and administrative expenses, technical and development costs	1,447	1,635
Total	**3,796**	**4,534**

The plan assets composition is as follows:

	2018	2017
Listed shares and bonds	10	91
Cash and cash equivalents	4	4
Total listed assets	**14**	**95**
Insurance contracts	3,450	3,565
Not listed - other	100	100
Total assets	**3,564**	**3,760**

The weighted duration of defined benefit obligations is equal to 12 years, split by plan as follows:

Years	Weighted duration	Average future working lifetime
Average	**12.2**	**10.7**
Italy	9	10.4
Germany	14.4	7.3
France	12.8	15.4
Sweden	16.8	11.7
Greece	14.6	15.7
Turkey	7.6	16.1

The effect on the retirement benefit obligation of a reasonably possible change in the actuarial assumption considered in computing the defined-benefit obligation is provided below:

Effect	% Increase in actuarial assumption	% Decrease in actuarial assumption
Discount rate (0.5% movement)	(5.83)%	6.43%
Rate of salary increase (0.5% movement)	4.29%	(3.84)%
Inflation rate (0.25% movement)	1.78%	(1.82)%
Life expectancy (1 year variation)	0.83%	n.a.

6.16 Current income tax liabilities

Current income tax liabilities amount to euro 3,898 (euro 5,297) and comprise the provision for current taxes on profit for the year.
Concerning the Italian entities that participate in the group tax consolidation 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., included in note 6.17, under the group tax consolidation regime in Italy.

6.17 Other liabilities

Other liabilities consist of the following:

	12/31/2018	12/31/2017
Amounts due to employees	108,253	110,748
Amounts due to social security authorities	27,618	26,635
Withholding taxes from employees, consultants and freelance workers	11,758	12,559
Amounts due to customers	10,385	6,186
Other liabilities	7,227	7,259
Amounts due to parent companies	6,295	12
Other taxes	3,865	3,883
VAT payable	1,489	1,515
Accruals and deferred income	842	1,897
Total	**177,732**	**170,694**

Amounts due to parent companies refer to the balances due to CO.FI.BA. S.r.l. for the group tax consolidation regime.
Accruals and deferred income mainly relate to accrued interest payable.
The fair value of other liabilities approximates the carrying value.

The 2018 Barilla Excellence Award, awarded during the Yearly Leadership Team Meeting, was devoted to the best projects conceived by Barilla people for a diverse and inclusive company.

December 2018


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6.18 Provisions for other liabilities and charges

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

	12/31/2017	Charges	Used / reversed / reclassification	Foreign exchange impact	12/31/2018
Employee risk provision	10,066	4,365	(3,742)	(96)	10,593
Restructuring provision	42,185	-	(1,326)	(4)	40,855
Tax risk provision	635	1,414	-	(82)	1,967
Prize contest risk provisions	600	776	(599)	2	779
Returns and unsold goods provision	2,311	-	(27)	2	2,286
Revocatory risk provision	15,204	170	(5,431)	-	9,943
Litigation provision	2,805	1,223	(1,037)	(21)	2,970
Other provisions	29,130	1,043	(1,923)	(137)	28,113
Total	**102,937**	**8,991**	**(14,085)**	**(336)**	**97,507**
of which:					
- Due within one year	58,689				57,723
- Due after more than one year	44,248				39,784

The "Employee risk provision" and the "Restructuring provision" have been recognized in relation to reorganization programs that include redundancy incentives and other future employee obligations.
The "Revocatory risk provisions" were registered for collected commercial receivables for which there is a risk of a clawback action.
The "Other provisions" mainly include commercial risks and risks against distributors.
The provisions due after more than one year have not been discounted due to the uncertainty of the period of utilization.

6.19 Borrowings

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

	12/31/2018	12/31/2017
Bonds	408,280	397,818
Bank borrowings and leasing obligations	10,380	20,811
Total	**418,660**	**418,629**

Detail of the outstanding bonds are summarized below (included the current portion classified as current financial debt for which refer to the note 6.14):

	Nominal value in currency (USD thousands)	Nominal coupon in USD	Maturity	Carrying value	Hedging transaction		Effective average interest rate
					Nominal value in euro	Effective average interest rate	
	75,000	4.76%	15 July 2021	68,301	50,562	1.03% (V)	1.19%
	50,000	4.86%	15 July 2023	46,807	33,718	0.92% (V)	1.03%
	150,000	4.43%	13 Dec 2025	133,779	115,050	0.77% (V)	0.82%
	185,000	4.03%	28 Oct 2027	159,393	169,867	0.74% (V)	0.80%
Total Notes	**460,000**			**408,280**	**369,197**		

(V)Variable (Floating) interest rate

The interest rate and foreign exchange risks relating to the US Private Placements are hedged by cross currency and interest rate swaps, details of which are provided in note 7. The first tranche of the bonds amounting to USD 75 million was repaid on the maturity date in July 2018.

The "Bank borrowings and leasing obligations" include an amortizing loan with the European Investment Bank (EIB) subscribed in January 2012 for euro 50,000 and expiring in 2020, the non-current portion outstanding as of 31 December 2018 amounted to euro 3,124 (euro 9,367), and also the non-current portion of 375 euro, for a new medium- long term loans, that has been issued during the year, with an initial amount of 536 euro; the maturity date is in January 2023, in the face of demand of non-repayable grant to region Piemonte (Italy), for an investment on energy-saving in plant of Novara.
The same line item includes the decrease of the portion of medium/long-term leasing obligations mainly relating to the finance leases for the cogeneration plants in Italy, with a balance at year-end of euro 6,850 (euro 11,412).

A revolving credit facility that originally was due to mature in July 2019, was amended at the beginning of 2018 in order to extend its maturity to January 2023 (with the option to extend for further two years), redefine the financial terms and decrease the size from euro 700 million to 500 million (with an option to increase at a later stage to euro 800 million). The parties in the banking pool remain substantially unchanged. Barilla Iniziative S.p.A. and Barilla G. e R. Società per Azioni remain borrowers and guarantors, while in the new agreement Barilla France S.A.S. is no longer an alternative borrower. Barilla Iniziative S.p.A. retains the option to request that other subsidiaries become an additional borrower. Activities commenced in November 2018 (and were finalized in January 2019) to extend the maturity of the facility to January 2024.
This credit facility results unused at 31 December 2018.

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

	From 2 to 5 years	Over 5 years	Total
Bonds	115,109	293,171	**408,280**
Bank borrowings and leasing obligations	9,120	1,260	**10,380**
Total medium/long-term bank borrowings	**124,229**	**294,431**	**418,660**

The following table depicts the borrowings (including the respective hedging instruments) by maturity date and type of interest rate:

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

Period	Carrying value 2018	Carrying value 2017
Within 1 year	372,220	433,198
From 2 to 5 years	9,367	15,604
Over 5 years	11,412	15,730
Total borrowings due within one year and after more than one year *	**392,999**	**464,532**

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

Currency	Carrying value 2018	Carrying value 2017
Euro	15,142	36,633
USD (American Dollar)	363,672	417,356
TRY (Turkish Lira)	14,155	10,512
Other	30	31
Total borrowings due within one year and after more than one year *	**392,999**	**464,532**

The decrease of item "Total borrowings" is connected to the first tranche of the bonds amounting to USD 75 million (62,917 euro) of nominal value that was repaid on the maturity date in July 2018.

Borrower	Description	Interest rate	At 12/31/2018	Maturity
Barilla France	Bonds (including cross currency and interest rate swaps)	floating	85,252	2023
Barilla Iniziative	Bonds (including cross currency and interest rate swaps)	floating	277,793	2025 - 2027
Barilla Iniziative	EIB loan	floating	9,367	2020
Barilla G.e R. Fratelli Group	Banks	floating	9,175	2019 -2023
Barilla G.e R. Fratelli Group	Leasing companies	fixed	11,412	2019 - 2029
Total bank borrowings (either due within or after one year) *			**392,999**	

According to IAS 7, par. 44-a), it is provided below a reconciliation of the changes in liabilities arising from financing activities, both within and after one year, as highlighted in section 'Net cash from financing activities' of the statement of cash flows, which corresponds to the sum of "Borrowings disbursement/reimbursement", "Foreign exchange effect on foreign currency debts" and "Fair value changes through consolidated income statement", net of 'Bank overdrafts' movements.

	Total borrowings due within one year and after one year	*thereof: Bank overdrafts*
Total debt at December 31, 2016	**472,103**	***3,731***
Movements in 2017		
Monetary changes of 2017 period:		
Borrowing disbursement/reimbursement, including those due to parent company	(9,528)	*(2,407)*
Total monetary changes of the period	**(9,528)**	***(2,407)***
Non-monetary changes of 2017 period:		
IFRS 9 adoption debt at January 1, 2017	4,489	-
IFRS 9 adoption derivatives (assets)/liabilities at January 1, 2017	(1,374)	
Foreign exchange effect on foreign currency debt	(1,425)	*(353)*
Fair value changes through P&L	1,026	-
Fair value changes through OCI	(759)	-
Total non-monetary changes of the period	**1,957**	***(353)***
Total changes (b)	**(7,571)**	***(2,760)***
Total net financial liabilities at December 31, 2017 * (a+b)	**464,532**	***971***
Total derivatives (assets)/liabilities at December 31, 2017	(39,050)	
Total Debt at December 31, 2017	503,582	*971*
Movements in 2018		
Monetary changes of 2018 period:		
Borrowing disbursement/reimbursement, including those due to parent company	(54,257)	*21*
Total monetary changes of the period	**(54,257)**	***21***
Non-monetary changes of 2018 period:		
Foreign exchange effect on foreign currency debt	(2,611)	*15*
Fair value changes through P&L	(9,446)	-
Fair value changes through OCI	(5,219)	-
Total non-monetary changes of the period	**(17,276)**	***15***
Total changes (b)	**(71,533)**	***36***
Total net financial liabilities at December 31, 2018 * (a+b)	**392,999**	***1,007***
Total derivatives (assets)/liabilities at December 31, 2018	(51,736)	
Total Debt at December 31, 2018	444,735	*1,007*

** Total borrowings due within one year and after one year, detailed in the tables, include negative derivatives and are expressed net of the positive value of derivatives, except for derivatives on commodities as disclosed in paragraph 6.20 "Derivate financial instruments".*

The effective interest rates on borrowings amounted to 1.8% (1.6% in 2017), the increase in 2018 is mainly connected to the strong rise of interest rate of financial debts denominated in Turkish Lira. The calculation does not include non-recurring items relating to bonds or early repayment of loans and the fair value changes related to bonds. The comparison between the carrying value and fair value of borrowings is disclosed in note 7.

Financial covenants and other contractual obligations

The Bonds and Bank facility currently outstanding (the "Financing") require the compliance with certain contractual obligations and financial covenants (collectively, the "Covenants").
The main Covenants, as defined in one or more Financing contracts, are in line with market practice for similar transactions, as follows:

Financial covenants

- Ratio of Net Borrowings to EBITDA;
- Ratio of EBITDA to Net Interest on borrowings;
- Ratio of borrowings of operating companies plus borrowings secured by real guarantees (except where permitted contractually) to Total Assets as resulting from the financial statements.

Other restrictions and contractual obligations

- Change of control;
- Undertaking not to subordinate the Financing to other debt ("*pari passu*") and/or not to grant liens/pledges in favor of such debtholders (except where permitted contractually);
- Undertaking not to dispose certain key assets (such as: key plants, trademarks, licenses and intellectual property);
- Limitations in disposal proceeds, acquisition policies and dividends (where applicable).

Events of Default

The main events of default, which are not applicable to non-material Group companies, are summarized as follows:
• Failure to pay any sum due under the Financing;
• Non-compliance with financial covenants and/or other contractual obligations (subject to materiality thresholds);
• Cross default (in relation to event of defaults under other Financing that exceed certain thresholds);
• Insolvency, bankruptcy and other insolvency proceeding;
• Significant change in the Group's business.

Where an event of default occurs, which is not cured within the applicable time limits, the Lenders have the right to request the immediate repayment of the borrowed amount, together with interest and any other sums contractually due.
No defaults arose either during the year or at the year end and moreover the Group was compliant with all the financial covenants.

6.20 Derivative financial instruments

	12/31/2018		12/31/2017	
	Assets	Liabilities	Assets	Liabilities
- Fair value hedge - interest rate derivatives	50,891	5,656	43,650	12,081
- Cash flow hedge - commodities	1,646	-	178	-
Total non-current portion	**52,537**	**5,656**	**43,828**	**12,081**
- Cash flow hedge - interest rate derivatives	-	-	12,419	-
- Cash flow hedge - commodities	1,758	-	-	296
- Cash flow hedge - forward exchange contracts	-	-	-	336
- Held for trading - forward exchange contracts	6,664	165	638	5,239
- Held for trading - commodities	1,202	23	-	140
Total current portion	**9,624**	**188**	**13,057**	**6,011**
Total derivative financial instruments	**62,161**	**5,844**	**56,885**	**18,092**

The Barilla Group confirms its support for the Italian Basketball Federation, renewing its sponsorship of the male, female and young Italian national basketball team.

June 2018 - In the photo, the leaders of the Italian Basketball Federation donate the Italian national team T-shirt to the Vice Chairman Paolo Barilla and to Claudio Colzani, CEO of the Barilla Group


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The Group has designated the following hedging types, related to currency and interest rate swap contracts, concerning the US Private Placement bond, all designated as fair value hedge:

- contracts for the tranches, with a nominal value of USD 75 million, that expire on 15 July 2021. The positive fair value at 31 December 2018 amounted to euro 17,425. The positive impact on the consolidated income statement amounted to euro 1,528 and impact on comprehensive income to euro 352;
- contracts for the tranches, with a nominal value of USD 50 million, that expire on 15 July 2023. The positive fair value at 31 December 2018 amounted to euro 12,432. The positive impact on the consolidated income statement amounted to euro 654 and the impact on comprehensive income to euro 437;
- contracts for the tranches, with a nominal value of USD 150 million, that expire on 15 December 2025. The positive fair value at 31 December 2018 amounted to euro 21,034. The positive impact on the consolidated income statement amounted to euro 2,998 and the impact on comprehensive income to euro 1,272;
- contracts for the tranches, with a nominal value of USD 185 million, that expire on 28 October 2027. The negative fair value at 31 December 2018 amounted to euro 5,656. The positive impact on the consolidated income statement amounted to euro 3,182 and the impact on comprehensive income to euro 3,243.

"Derivative contracts on commodities" mainly includes hedge electricity costs and the price of wheat.

Movements in the hedging reserve were as follows:

	Gross reserve	Tax effect
Movements in 2017		
Opening balance at 1/1/2017	**(5,561)**	**1,706**
IFRS 9 adoption	4,976	(1,659)
Change in basis	1,511	(437)
Change in fair value	8,990	(3,010)
Exchange difference recognized in the consolidated income statement	(8,594)	2,959
Total at 12/31/2017	**1,322**	**(441)**
Movements in 2018		
Change in basis	(1,100)	265
Change in fair value	10,258	(2,297)
Exchange difference recognized in the consolidated income statement	(421)	112
Total at 12/31/2018	**10,059**	**(2,361)**

The hedging reserve includes the hedge portion of forward exchange derivatives, the derivatives on commodities and the effective portion related to the interest rate hedge, for the derivatives designated as cash flow hedge, as well as the basis component for the currency and interest rate swap contracts designated as fair value hedge.

As of December 31, 2018, the notional value of the contracts refers to the cross currency and interest rate swap contracts designated as fair value hedge for euro 369,197 in respect of the bonds that expire from 2021 to 2027, and to derivatives on commodities and electricity contracts for euro 8,542.
The financial risk management policy is disclosed in note 7.

6.21 Other payables

Other payables, that amounted to euro 4,087 (euro 4,386), largely represent the liability in respect of social security contributions.

6.22 Equity

Fully paid share capital as of 31 December 2018, unchanged with respect to prior year, is referred to n. 101,000,000 ordinary shares with a nominal value of euro 1 each.
During 2018 the shareholders' meeting approved the distribution of dividend for euro 47,470, paid to CO.FI.BA. S.r.l. for euro 40.350 and to Gafina BV for euro 7,120.
It should be noted that the parent company does not hold, nor has held or acquired, any treasury stock, either directly or indirectly through its subsidiaries or associates.

6.23 Non-controlling interests

The following table provides information on the subsidiary controlled by the Group with significant participation of non-controlling interests. The amounts are gross of intercompany eliminations:

Barilla Mexico SA de CV sub-group Percentage of non-controlling interests 50%	**31 December 2018**	**31 December 2017**
Revenue	71,458	70,898
Result of the period	6,067	5,358
Profit/(Loss) attributable to non-controlling interests	**3,033**	**2,679**
Total comprehensive income/(loss)	1,286	(1,632)
Total comprehensive income/(loss) attributable to non-controlling interests, without result	**643**	**(816)**
Total comprehensive income/(loss) attributable to non-controlling interests	**3,676**	**1,863**
Current assets	33,737	27,642
Non-current assets	9,400	9,540
Current liabilities	(12,773)	(14,164)
Non-current liabilities	(461)	(469)
Net assets	**29,902**	**22,549**
Net assets attributable to non-controlling interest	**14,951**	**11,275**
Net cash generated from/(used in) operating activities	**820**	**8,193**
Net cash generated from/(used in) investing activities	**(386)**	**(520)**
Net cash generated from/(used in) financing activities	**-**	**(7,783)**
Net (decrease)/increase in cash and cash equivalents and bank overdrafts	**434**	**(110)**
Total dividends paid to non-controlling interests (included in cash flow from financing activities)	**-**	**3,892**

Commitments and guarantees

Contractual commitments at the year-end that are not recognized in the statement of financial position amount to euro 911,764 (euro 935,520) and comprise:

- commitments for the purchase of finished goods, wheat, other raw materials and packaging for euro 740,260 (euro 703,846);
- commitments for capital expenditure for euro 64,502 (euro 114,130);
- commitments for energy purchase for euro 107,002 (euro 117,544).

Third party guarantees

They comprise guarantees provided by banks and/or insurance companies to government agencies in connection with VAT refunds on behalf of the subsidiary Barilla G. e R. Fratelli Società per Azioni, equal to euro 330,278 (euro 302,077).

Group obligations guaranteed by third parties

They comprise bank guarantees amounting to 1,731 (euro 2,347) and issued by financial institutions to Barilla G. e R. Fratelli Società per Azioni for prize contests/competitions and for the quality of imported wheat.

Contingent liabilities

The Group has contingent liabilities in respect of legal and tax claims arising in the normal course of the business. Those claims are not deemed to originate any material liabilities other than those already provided in the financial statements.

Consolidated income statement

6.24 Revenue

Revenue may be analyzed as follows:

	2018	2017
Total sales of finished goods	3,434,342	3,410,484
Sales of by-products	44,642	43,374
Sales of raw materials and others	4,084	5,826
Total	**3,483,068**	**3,459,684**

6.25 Detail of costs by nature

The following table sets out the composition of costs by nature in relation to the sum of cost of sales, logistics expenses, selling expenses, marketing expenses, technical and development costs and general and administrative expenses that are presented in the consolidated income statement:

	2018	2017
Purchase of raw materials, semi-finished goods, finished goods, materials and change in inventories	1,387,842	1,357,378
Employee costs	501,592	506,843
Promotional and advertising services	305,201	333,476
Transport and warehousing services	303,725	280,367
Depreciation, amortization and impairment	137,386	130,755
Services	108,877	102,426
Third party manufacturing costs	78,060	81,628
Utilities	71,518	63,206
Sales commissions	50,996	53,291
Maintenance costs	40,551	41,104
Property leases, rentals and operating leases	28,752	27,787
Purchase of other materials	23,606	22,175
Consultancy costs	15,923	13,740
Travel and expenses	15,271	15,717
Customs duties	10,988	10,829
Other taxes	9,524	10,022
Insurances	8,373	8,251
Green dot	6,276	4,909
Postage and telephone expenses	5,905	7,354
Directors' and statutory auditors' emoluments	5,034	4,909
Impairment Goodwill	3,567	-
Employee training costs	3,483	2,887
Canteen's costs	3,359	3,628
Demolition cost	1,762	1,721
Guest expenses	1,500	1,782
Others	979	881
Total	**3,130,050**	**3,087,066**

The item "Property leases, rentals and operating leases" includes rent of pallets for euro 10.2 million (7.7 million in 2017).

As 31 December 2017 the above total included services cost towards the parent company Barilla Holding Società per Azioni, merged during the year into CO.FI.BA. S.r.l, for euro 3,051.

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

	2018	2017
Cost of sales	101,258	103,220
Logistics costs	3,518	4,340
Selling costs	8,264	1,083
Marketing costs	258	140
General and administrative expenses, technical and development costs	27,655	21,972
Total	**140,953**	**130,755**

6.26 Other income and expenses

Other income and expenses comprise:

	2018	2017
Income and expenses from continuing operations:		
Income/(expenses) relating to other accounting periods	6,140	25,259
Net utilization of/charges to provisions	3,667	(7,965)
Income/(Services) rendered and other minor amounts	1,863	8,922
Insurance repayments	1,358	1,196
Net gains/(losses) on disposals of property, plant and equipment	1,192	(2,646)
Membership fees	(1,663)	(1,558)
Employee leaving incentives	(2,023)	(2,299)
Bank commission and factoring services	(2,155)	(2,199)
Allowance and losses on trade receivables	(6,090)	(968)
Property and other taxes	(6,923)	(7,040)
Donations to employees and third parties	(10,451)	(9,910)
Total income/(expenses) from continuing operations	**(15,085)**	**792**

"Income/(services) rendered and other minor amounts" includes penalties paid to lessors for the closing of American restaurants and amount for the resolution of franchising agreement in Middle East, equal to euro 3.4 million.

As of December 31, 2017, the item included the services revenues towards the parent company Barilla Holding Società per Azioni, merged during the year into CO.FI.BA S.r.l. for euro 407.

6.27 Finance costs - net

Finance costs - net consisted of the following:

	2018	2017
Net costs relating to the net financial position:		
Interest income on bank accounts	246	482
Interest expense on short-term bank borrowings	(1,837)	(183)
Interest expense on medium/long-term bank borrowings	(2,607)	(2,032)
Interest expense on bonds	(3,895)	(4,675)
Positive/(negative) change in fair value of bonds and hedging instruments	(1,532)	5,637
Interest expense on finance leases	(734)	(964)
Total net finance costs relating to the net financial position	**(10,359)**	**(1,735)**
Other finance income/(costs):		
Net realized exchange gains/(losses)	(2,032)	(4,053)
Net unrealized exchange gains/(losses)	2,109	1,226
Commissions on undrawn amounts	(905)	(2,236)
Interest costs on pension liabilities	(2,412)	(2,478)
Change in fair value of equity instruments	(343)	(253)
Other income/(costs)	1,004	414
Total other finance income/(costs)	**(2,579)**	**(7,380)**
Total finance costs - net	**(12,938)**	**(9,115)**

Interest expenses on short term bank borrowing include: the amortization of expenses related to the Committed Revolving Credit Facility ("RCF"), independently from its utilisation, and the write off in the consolidated income statement of the expenses yet to be amortized related to the previous revolving credit facility renegotiated during the year, for euro 1,366.

The increase of "Interest expense on medium-long term bank borrowings" is related the strong rise of interest rate of financial debts in Turkish Lira.

The positive impact of fair value of bonds and derivatives instruments, written with the Fair Value Hedge method, depends from the application of amortized cost and the fair value on bonds, nets of variation of fair values hedge instruments.

Commissions on undrawn amounts relate to the committed Revolving Credit Facility - RCF, not used during the year.

"Other income/(costs)" also includes interest income collected during the year for a refund of income tax in Italy, for euro 750, and other financial income for deferred payments and interest income on other receivables.

6.28 Income tax expense

The reconciliation between the theoretical tax charge and the effective tax charge from the financial statements is provided below.

The effective tax rate on profit before income tax amounted to 23% (21%).

The variation compared to 2017 is because, in the previous year a cumulative tax benefit (also for 2015 and 2016), on income derived from the use of intellectual property, such as trademarks and patents, software and designs, know-how (pursuant to article 1, Law 23 December 2014, n. 190 "Patent Box") was recognized; on the other side the decrease of the nominal tax rate in USA.

	Year ended 31 December 2018
Profit before income tax	324,995
Theoretical tax charge	87,196
Unrecognized deferred tax assets	2,782
Net non-deductible expenses/(income not subject to tax)	(9,631)
Use of deferred tax assets not recognized in prior periods and re-measurement of deferred taxes	(6,469)
Effective tax charge	**73,878**

The lower 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 principally due to the abovementioned factors.

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

Europe	
Italy	27.90%
Germany	31.50%
Sweden	22.00%
France	28%-33.33%
Austria	25.00%
Turkey	22.00%
Greece	29.00%

North America	
USA	21.00%

Other Countries	
Russia	20.00%
Brazil	34.00%
Mexico	30.00%
Australia	30.00%

The Michelin-star chef Pietro Leemann presents the first Barilla line of legume pasta, made entirely of red lentil flour or chickpea flour.

October 2018

“EVERYTHING IS DONE FOR THE FUTURE”

Pietro Barilla

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

Company	Tax losses	Period for which losses may be carried forward	Rate %	Recognized deferred income tax assets	Unrecognized deferred income tax assets
Barilla Espana S.L.	1,635	Unlimited	25.00 %	409	-
Barilla Gida A.S.	1,067	5 years	20.00 %	-	213
Barilla America Inc.	8,041	20 years	various	531	-
Barilla Do Brazil LTDA	26,455	Unlimited	34.00 %	-	8,995
Barilla Rus LLC	24,388	10 years	20.00 %	4,878	-
Barilla Canada Inc.	24,442	20 years	26.50%	-	6,477
Barilla Belgium S.A.	7,953	Unlimited	25.00 %	-	1,988
Barilla Norge A.S.	624	Unlimited	24.00 %	137	-
Barilla Poland Sp. Z.o.o.	4,974	5 years	19.00 %	1,020	-
Barilla Singapore Pte Ltd	11,008	Unlimited	17.00 %	430	1,441
Barilla Shanghai Trading Company Limited	3,107	5 years	25.00 %	-	777
Italian Kitchen USA Inc.	15,584	20 years	various	-	4,304
Finba Bakery Holding GmbH*	99,949	Unlimited	28.59 %	-	28,259
Total	**229,227**			**7,405**	**52,454**

** for Trade Tax purpose the amount of tax losses is 80,792 euro*

7. Financial instruments and net financial position

Risk management policies

The Group's activities expose it to a variety of financial risks, among which: market risks (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

As part of its risk management policy and in order to minimize the impact of market risks, the Group also utilizes hedging instruments (whereas no instrument is used or held for speculative purposes). The Group manages all the hedging transactions centrally. The Group has introduced certain guidelines and procedures that govern risk management and control all derivative transactions.

(a) Market risk

(I) Interest rate risk

The exposure to market risk arising from changes in interest is mainly related to euro rates, the currency in which nearly all Group borrowings at floating rate are denominated or converted by virtue of the hedging contracts. Considering its low use of financial leverage, the Group considered appropriate to maintain the debt mainly at a variable rate. At 31 December 2018 approximately 3% (15%) of gross indebtedness was at fixed rate, either directly or through specific derivative financial instruments. The Group analyzes its interest rate exposure on a dynamic basis. In particular, the Group simulates its financing requirements and prospective generation of cash flows on different scenarios applying varying assumptions based on economic expectations, existing positions and potential renewals, alternative financing, hedging policy and potential refinancing.

Sensitivity analysis:

The potential after-tax effects on the income statement and other comprehensive income of a +0.5/-0.5 percentage point change in euro and in US dollar interest rates, with all other conditions remaining unchanged, applied to the Group's floating rate borrowings at 31 December would have amounted to:

Income - (cost)	2018		2017	
	+0.5%	-0.5%	+0.5%	-0.5%
Effect on Net Result	1,351	(1,368)	1,026	(1,023)
Effect on Other Comprehensive Income	54	(55)	45	(48)

The tax effects were calculated applying the Group's effective tax rates at 31 December 2018 and 2017.

(II) Foreign exchange risk

Operating an international business, the Group is exposed to the risk that exchange rate fluctuations may have on its assets, liabilities and cash flows generated outside the euro area. Actually, the Group is not heavily exposed to foreign exchange risk as 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 2018 and 2017 the potential after-tax effects on the net result and on other comprehensive income of a strengthening/(devaluation) of the euro against the other foreign currencies (mainly US dollar), with all other conditions remaining equal, would have amounted to:

Income - (cost)	2018		2017	
	+10%	-10%	+10%	-10%
Effect on Net Result	6,151	(3,855)	(2,168)	1,772
Effect on Other Comprehensive Income	262	(262)	(301)	248

(III) Price risk

The Group manages the mitigation of operating risks relating to the trend in prices of those commodities used in the production process mainly through the adoption of medium-term purchasing contracts with its suppliers, integrating also to a limited extent, by derivative contracts on wheat. Hedging contracts are entered into in respect of the Swedish electrical energy market using the "Nord Pool" mechanism.

Sensitivity analysis:

The analysis considers derivatives on commodities, mainly related to derivative contracts on wheat and electrical energy.

At 31 December 2018 and 2017, the potential after-tax effects on the income statement and other comprehensive income of a strengthening/(devaluation) of commodities' prices, with all other conditions remaining equal, would have amounted to:

Income - (cost)	2018		2017	
	+5%	-5%	+5%	-5%
Effect on Net Result	(953)	953	116	(116)
Effect on Other Comprehensive Income	(2,752)	2,752	98	(98)

(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 commitment on the irrevocable credit facilities. The Group's accounts receivable is concentrated in the large-scale retail channel.

The Group periodically assesses the creditworthiness of its counterparties and regularly monitors the respect of the credit limits assigned. Insurance policies have been entered into to cover potential losses related to commercial receivables.

The Group determines the value of debt instruments and the bank deposits in accordance with the expected credit losses criterion. As far as the credit risk on bank deposits and other financial investments is concerned, the Group has established exposure limits for each bank on the basis of the external credit rating, the level of credit default swaps and other market information. The Group believes not to be currently exposed to significant risks.

(c) Liquidity risk

The Group's policies aim to make the liquidity risk reasonably remote. This is achieved through the constant availability of funding through undrawn committed credit facilities, which cope with any reasonably foreseeable future financial commitments, also taking into account the Group's significant generation of cash flows.

At 31 December 2018, the Group held undrawn credit facilities expiring in 2023 of approximately euro 500,000 in addition to cash and cash equivalents in excess of euro 295,982.

An analysis of financial liabilities and derivatives assets/liabilities by maturity is provided in the table below. The maturity buckets are based on the period between the year-end 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.

At 31 December 2018	Less than 1 year	From 1 to 5 years	Over 5 years	Total
Borrowings with banks, other lenders and finance leases	32,202	122,759	312,293	467,254
Derivative financial instruments through consolidated profit or loss	(6,500)	-	-	(6,500)
Trade and other payables	925,944	4,087	-	930,031
Total	**951,646**	**126,846**	**312,293**	**1,390,785**

At 31 December 2017	Less than 1 year	From 1 to 5 years	Over 5 years	Total
Borrowings with banks, other lenders and finance leases	80,473	98,472	354,143	533,088
Derivative financial instruments through consolidated profit or loss	4,938	-	-	4,938
Trade and other payables	928,524	4,042	-	932,566
Total	**1,013,935**	**102,514**	**354,143**	**1,470,592**

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 financial position and the categories of financial assets and liabilities identified in accordance with IFRS 7 is presented below, along with the information of fair value evaluation level provided for by IFRS 13:

31 December 2018	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Equity instruments at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Hedging derivatives assets	Hedging derivatives liabilities	Fair value	Fair value evaluation Level
Equity instruments	-	-	1,025	-	-	-	-	**1,025**	Level 3
Derivatives (assets)	7,866	-	-	-	-	54,295	-	**62,161**	Level 2
Trade and other receivables	-	557,586	-	-	-	-	-	**557,586**	
Cash and cash equivalents and financial assets	-	295,982	-	-	-	-	-	**295,982**	
Borrowings with banks and other lenders	-	-	-	36,453	408,280	-	-	**446,266**	
Trade payables	-	-	-	744,314	-	-	-	**744,314**	
Other payables	-	-	-	185,717	-	-	-	**185,717**	
Derivatives (liabilities)	-	-	-	188	-	-	5,656	**5,844**	Level 2
Total	**7,866**	**853,568**	**1,025**	**966,672**	**408,280**	**54,295**	**5,656**		

31 December 2017	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Equity instruments at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Hedging derivatives assets	Hedging derivatives liabilities	Fair value	Fair value evaluation Level
Equity instruments	-	-	1,297	-	-	-	-	**1,297**	
Derivatives (assets)	638	-	-	-	-	56,247	-	**56,885**	Level 2
Trade and other receivables	-	580,558	-	-	-	-	-	**580,558**	
Cash and cash equivalents and financial assets	-	246,893	-	-	-	-	-	**246,893**	
Borrowings with banks and other lenders	-	-	-	42,848	460,735	-	-	**505,308**	
Trade payables	-	-	-	752,189	-	-	-	**752,189**	
Other payables	-	-	-	180,377	-	-	-	**180,377**	
Derivatives (liabilities)	-	-	-	5,379	-	-	12,713	**18,092**	Level 2
Total	**638**	**827,451**	**1,297**	**980,793**	**460,735**	**56,247**	**12,713**		

During 2018, there was no transfer of financial assets or liabilities from level 1 to level 2 of the fair value hierarchy. For the valuation techniques of the financial instruments in the level 2, refer to the previously commented 'Accounting and valuation policies'.

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

- about the floating rate revolving facility, assuming 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 valuation method for the portion qualified as cash flow hedge considers the amortized cost converted in euro at the current exchange rate; for the portion qualified as fair value hedge, the valuation method considers the amortised cost, net of the change in value of the hypothetical derivative which underlies the hedging relationship, with all amounts converted to euro at the current exchange rate. The first tranche of US Private Placement, written as cash flow hedge, repaid at maturity date during 2018.
- for all other borrowings, given the low value and the fact that these largely relate to short-term and/or floating rate instruments, the carrying value is considered representative of their fair value.

Regarding equity investments in unlisted companies included in the category equity instruments, the Group during the year determined their fair values and adjusted accordingly the carrying values. Further details are provided in note 6.12.

Net financial position (alternative performance indicator 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, securities classified as financial assets at fair value through profit or loss, mark-to-market derivatives.

The net financial position of the Group at 31 December 2018 was negative and amounted to euro 92,434 compared with the negative net financial position in 2017 for euro 217,897.

Derivatives entered into to hedge the risk relating to commodities used in the production process, included in the above total, have a positive mark-to-market of euro 4,582 (negative for euro 258 in 2017).

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

	12/31/2018	12/31/2017
Cash and cash equivalents	295,982	246,893
Current financial assets at fair value	9,624	13,057
Banks and other borrowings (including derivatives)	(26,261)	(90,965)
Short-term net financial position	**279,345**	**168,985**
Non-current financial assets at fair value	52,537	43,828
Borrowings (including derivatives)	(424,316)	(430,710)
Medium/long-term net financial position	**(371,779)**	**(386,882)**
Total net financial position	**(92,434)**	**(217,897)**

Capital risk management

The Group's objectives regarding 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 to reduce the cost of debt.

The Group monitors its capitalization based on the ratio between the net financial position and EBITDA. This ratio is an indicator of the ability to repay borrowings and is normalized to exclude non-recurring items.

Below is the analysis of operating profit from continuing operations (EBIT-EBITDA):

	2018	2017
Operating profit from continuing operations (EBIT)	**341,500**	**373,410**
Amortization and impairment losses of intangible fixed assets (continuing operations)	16,877	17,790
Depreciation and impairment losses of tangible fixed assets (continuing operations)	120,509	112,965
Operating profit from continuing operations before depreciation, amortization and impairment losses on fixed assets (EBITDA)	**478,886**	**504,165**

The ratio net financial position to EBITDA at 31 December is the following:

	2018	2017
Net financial position	(92,434)	(217,897)
EBITDA	478,886	504,165
EBITDA/net financial position	**0.19**	**0.43**

At Barilla, 2018 is the year of the Employee Resource Groups (ERGs): groups organized, led and formed by Barilla people around a specific affinity, with the aim of fostering a more inclusive corporate culture.

6 June 2018 - The ERG Day organized at the Barilla headquarters in Pedrignano (Parma)

“OUR WAY OF DOING BUSINESS: CREATING VALUE FOR PEOPLE AND FOR THE SOCIETY AS A WHOLE”

Guido, Luca and Paolo Barilla

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 Iniziative and the principal Group operating subsidiaries.

Total compensation paid to these individuals is presented below:

	2018	2017
Short-term benefits	15,625	14,416
Post-employment benefits	1,220	618
Other long-term benefits	4,242	5,294
Total	**21,087**	**20,328**

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. Further information is presented in the Directors' Report.

8.3 Fees to Audit company

KPMG S.p.A. has been engaged to perform the audit of the Consolidated financial statements of Barilla Iniziative Group, for the years from 2016 to 2018 as required by the Italian law (Article n. 14 Legislative Decree 39 of 2010 and articles n. 2409-bis et seq. of the Italian Civil Code). The 2018 fees in respect of the legal activities for the statutory audit of the annual accounts, the other audit services and the tax consulting services amounted to euro 1,324.

8.4 Relationships with company bodies

The emoluments of the directors of Barilla Iniziative S.p.A. for the year 2018 amounted to euro 4,278.

The remuneration of the Board of Statutory Auditors of Barilla Iniziative in relation to Group appointments amounted to a total euro 435 in 2018.

Appendices

Appendix 1.

List of companies included in the scope of consolidation

Company, headquarter and activity	Currency	Share Capital (nominal values)	% Group ownership	Through	%
Italian Kitchen S.r.l. - Socio Unico Via Mantova 166 - Parma (Italy) Financial company	EURO	100,000	100.00	Barilla Iniziative S.p.A.	100.00
BLU1877 S.r.l. Via Madre Teresa di Calcutta 3/A - Parma (Italy) Start up Food industry	EURO	10,000	100.00	Barilla Iniziative S.p.A.	100.00
3D Food S.r.l. Via Madre Teresa di Calcutta 3/A - Parma (Italy) Production and trade	EURO	25,000	100.00	Barilla Iniziative S.p.A.	100.00
Italian Kitchen USA Inc. 2711 Centerville Road, Suite 400 - Wilmington - County of New Castle DE (USA) - Restaurants coordination	USD	10,000	100.00	Italian Kitchen S.r.l. Socio Unico	100.00
IKRG - Midtown West LLC c/o Tarter Krinsky & Drogin LLP, 1350 Broadway - New York NY (USA) Restaurant	USD	10,000	100.00	Italian Kitchen USA Inc.	100.00
IKRG - LADC LLC c/o CSC-Lawyers Incorporation Service - Sacramento California (USA) Distribution center	USD	10,000	100.00	Italian Kitchen USA Inc.	100.00
IKRG - LA1 LLC c/o CSC-Lawyers Incorporation Service - Sacramento California (USA) Restaurant	USD	10,000	100.00	Italian Kitchen USA Inc.	100.00
IKRG - OC1 LLC c/o CSC-Lawyers Incorporation Service - Sacramento California (USA) Restaurant	USD	10,000	100.00	Italian Kitchen USA Inc.	100.00
Finba Bakery Holding GmbH Fritz-Vomfelde-Strasse 14-20 - Düsseldorf (Germany) Financial company	EURO	25,000	100.00	Barilla Iniziative S.p.A.	100.00
Barilla G. e R. Fratelli Società per Azioni - Socio Unico Via Mantova 166 - Parma (Italy) Production and trade	EURO	180,639,990	100.00	Barilla Iniziative S.p.A.	100.00
Barilla Servizi Finanziari S.p.A. - Socio Unico Via Mantova 166 - Parma (Italy) - Leasing	EURO	30,000,000	100.00	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	100.00
FIRST S.p.A. - Socio Unico Via Mantova 166 - Parma (Italy) - Trade	EURO	5,000,000	100.00	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	100.00
FIRST Commerciale S.r.l. - Socio Unico Via Mantova 166 - Parma (Italy) - Trade	EURO	10,000	100.00	FIRST S.p.A. Socio Unico	100.00
Barilla Hellas S.A. 26 Pappou & Akragantos Str. - Athens (Greece) Production and trade	EURO	7,611,840	100.00	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	100.00
Barilla America Inc. 191 North Wacker Drive - Chicago, IL (USA) Production and trade	USD	1,000	100.00	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	100.00
MXO Global Inc. 151 Yonge Street, Suite 1500 c/o Torkin Manes LLP - Toronto (Canada) Trade	CAD	300	100.00	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	100.00
MXO USA Inc. 191 North Wacker Drive - Chicago, IL (USA) Trade	USD	1,000	100.00	MXO Global Inc.	100.00
Barilla Japan K.K. 9F, 2-7-3 Hirakawacho Chiyoda-ku - Tokyo (Japan) Trade	JPY	400,050,000	100.00	Barilla Singapore Pte Ltd	100.00
Barilla Do Brasil LTDA Avenida Brigadeiro Faria Lima 1336 block 121, 12° Andar São Paulo (Brazil) Trade	BRL	127,937,135	100.00	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	99.99
				Barilla Servizi Finanziari S.p.A. - Socio Unico	0.01

Company, headquarter and activity	Currency	Share Capital (nominal values)	% Group ownership	Through	%
Barilla Austria GmbH Grabenweg 64 - Innsbruck (Austria) - Trade	EURO	436,000	100.00	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	100.00
Barilla Mexico S.A. de C.V. Calzada San Bartolo Naucalpan 360 Col. Argentina Ponente Deleg. M. Hildalgo - Mexico City (Mexico) Trade	MXN	227,348,096	50.00	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	50.00
Serpasta S.A. de C.V. Calzada San Bartolo Naucalpan 360 Col. Argentina Ponente Deleg. M. Hildalgo - Mexico City (Mexico) Production and trade	MXN	2,050,000	50.00	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	0.05
				Barilla Mexico S.A. de C.V.	99.90
Barilla Singapore Pte Ltd 27 Kreta Ayer Road - Singapore (Singapore) Trade	SGD USD	1,000,000 38,000,000	100.00	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	100.00
Barilla (Shanghai) Trading Company Limited Room 830-838, Floor 8, Central Plaza n.381, Middle Huai Road, Huangpu District - Shanghai (China) Trade	USD	15,120,000	100.00	Barilla Singapore Pte Ltd	100.00
Barilla Middle East FZE Office No. LB191803, Jebel Ali - Dubai (United Arab Emirates) Trade	AED	1,000,000	100.00	Barilla Singapore Pte Ltd	100.00
Barilla Espana S.L. Zurbano 43 - Madrid (Spain) - Trade	EURO	3,100	100.00	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	100.00
Barilla Canada Inc. 26 Yonge Street - Toronto (Canada) - Trade	CAD	25,010,000	100.00	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	100.00
Barilla Gida A.S. Askent sokak n.3A Kosifler Plaza D 11 Ataşehir - Istanbul (Turkey) Production and trade	TRY	129,800,000	100.00	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	100.00
Barilla Switzerland A.G. Zugerstrasse 76B - Baar (Switzerland) - Trade	CHF	1,000,000	100.00	Barilla Netherlands B.V.	100.00
Barilla Sverige AB PO BOX 6722, 113 85 - Stockholm (Sweden) Production and trade	SEK	5,000,000	100.00	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	100.00
Barilla Norge AS Sandvikavegen 55 - Ottestad (Norway) Trade	NOK	1,952,000	100.00	Barilla Sverige AB	100.00
Barilla Danmark A/S c/o J. Korsoe Jensen, Sankt Annae Plads 13, 3 sal, 1250 - Copenaghen (Denmark) - Trade	DKK	500,000	100.00	Barilla Sverige AB	100.00
Barilla Poland Sp. Z.o.o. Ul. Poleczki, 23 - Warsaw (Poland) - Trade	PLN	14,050,000	100.00	Barilla Sverige AB	100.00
Barilla Deutschland GmbH Gustav-Heinemann-Ufer 72 c - Cologne (Germany) Production and trade	EURO	51,100	100.00	Barilla Sverige AB	100.00
Barilla Australia PTY Ltd c\o Norton Rose Australia, Level 16, 225 George Street - Sydney (Australia) - Trade	AUD	30,050,000	100.00	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	100.00
Barilla Netherlands B.V. Orteliuslaan 1000 - Utrecht (The Netherlands) Trade	EURO	18,000	100.00	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	100.00
Barilla Adriatik d.o.o. Tržaška cesta, 315 - Ljubljana (Slovenia) Trade	EURO	50,000	100.00	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	100.00
Barilla Hrvatska d.o.o. Radnička cesta 39 - Zagreb (Croatia) Trade	HRK	75,200	100.00	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	100.00
Barilla America N.Y. Inc. Livington County - New York NY (USA) Production and trade	USD	1,000	100.00	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	100.00
Barilla Rus LLC Butyrskij Tupik 1 Solnečnogorsk - Moscow (Russia) Production and trade	RUB	500,000,000	100.00	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	100.00
Barilla France S.A.S. 30 Cours de l'île Seguin - Boulogne Billancourt (France) Production, financial and trade	EURO	126,683,296	100.00	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	100.00

Company, headquarter and activity	Currency	Share Capital (nominal values)	% Group ownership	Through	%
Harry's Restauration S.A.S. 72 Route de Chauny - Gauchy (France) Production and trade	EURO	153,000	100.00	Barilla France S.A.S.	100.00
Barilla Belgium S.A. 166 Chaussée de la Hulpe - Bruxelles (Belgium) Trade	EURO	693,882	100.00	Barilla Netherlands B.V.	71.20
				Barilla France S.A.S.	28.80

Appendix 2.

List of investments in associated and other companies

Company, headquarter and activity	Currency	Share Capital (nominal values)	% Group ownership	Through	%
BRW S.p.A. Via Savona 16 - Milan (Italy) Advertising	EURO	5,440,085	33.620	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	33.620
Food Farms s.c.p.a. Strada Ponte Caprazucca 6/A - Parma (Italy) Development Enviroment	EURO	53,000	15.094	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	15.094
Fiere di Parma S.p.A. Via delle Esposizioni 393A, Baganzola - Parma (Italy) Fair activities	EURO	25,401,010	0.2814	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	0.2814
CE.P.I.M. - Centro Padano Interscambio Merci S.p.A. Piazza Europa 1, Fontevivo - Parma (Italy) Warehousing	EURO	6,642,928	0.380	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	0.380
Immobiliare Caprazucca S.p.A. Strada al Ponte Caprazucca 6 - Parma (Italy) Real estate trade	EURO	7,517,948	0.00003	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	0.00003
SI.GRA.D. Scrl in liquidazione Piazza Annibaliano 18 - Rome (Italy) Agri-food research	EURO	40,000	2.600	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	2.600
SOGEAP - Aeroporto di Parma Società per la gestione S.p.A. Via Ferretti Licinio 50/A - Parma (Italy) Other airport-related activities	EURO	30,835,220	1.230	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	1.230
Pallino Pastaria Company 1207 208th Avenue S.E. - Sammamish WA (USA) Production and trade	USD	501,500	11.060	Barilla America Inc.	11.060
Italia del Gusto - Consorzio Export La gastronomia di marca Via delle Esposizioni 393A, Baganzola - Parma (Italy) Trade	EURO	87,500	2.860	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	2.860
COMIECO Via Litta Pompeo 5 - Milan (Italy) - Other	EURO	1,291,000	0.0012	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	0.0012
CO.NA.I. Via Tomacelli 132 - Rome (Italy) - Other	EURO	11,032,798	0.110	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	0.110
FASTIGHETSAKTIEBOLAGET TAREDOM Pumpgatan 5 - Karlstad (Sweden) - Other	SEK	796,700	0.200	Barilla Sverige AB	0.200
STOREBRAND ABA Professor Kohts vei 9 - Lysaker (Norway) - Other	NOK	2,250,000,000	0.0003	Barilla Norge AS	0.0003
TÅGÅKERIET I BERGSLAGEN AB Kristinehamn (Sweden) - Other	SEK	3,000,000	10.000	Barilla Sverige AB	10.000

Appendix 3.

Currency rates of exchange

The main foreign exchange rates used to translate the financial statements are set below:

Currency		Average 2018	Year end 12/31/2018
AUD	Australian Dollar	1.580	1.622
AED	Arab Emirates Dirham	4.337	4.205
BRL	Brazilian Real	4.308	4.444
CAD	Canadian Dollar	1.529	1.561
CHF	Swiss Franc	1.155	1.127
CNY	Chinese Yuan	7.808	7.875
DKK	Danish Krone	7.453	7.467
HRK	Croatian Kuna	7.418	7.413
JPY	Japanese Yen	130.396	125.850
MXN	Mexican Pesos	22.705	22.492
NOK	Norwegian Krone	9.597	9.948
PLN	Polish Zloty	4.261	4.301
RUB	Russian Ruble	74.042	79.715
SEK	Swedish Krone	10.258	10.255
TRY	Turkish Lira	5.708	6.059
USD	United States Dollar	1.181	1.145

Appendix 4.

Summary of public disbursements in accordance with article 1 of Italian Law n. 124/2017

Name Beneficiary	Tax Code Beneficiary	Name Disbursing	Amount received (euro)	Date Collection	Purpose
Barilla G. e R. Fratelli Società per Azioni	01654010345	GSE	153,900	04/30/2018	EEC project "Gruppi frigo Novara" - year 2017
Barilla G. e R. Fratelli Società per Azioni	01654010345	GSE	405,114	08/29/2018	EEC project "Gruppi frigo + linea 1 Parma" (Italy) - year 2017
Barilla G. e R. Fratelli Società per Azioni	01654010345	GSE	249,745	08/29/2018	EEC autoproducers Foggia (Italy) year 2017
Barilla G. e R. Fratelli Società per Azioni	01654010345	GSE (through FENICE SpA)	1,357,919	02/28/2018	EEC autoproducers Pedrignano (Parma - Italy) year 2016
Barilla G. e R. Fratelli Società per Azioni	01654010345	GSE (through FENICE SpA)	801,028	08/29/2018	EEC autoproducers Pedrignano (Parma - Italy) year 2017
Barilla G. e R. Fratelli Società per Azioni	01654010345	GSE (through FENICE SpA)	477,850	08/29/2018	EEC autoproducers Marcianise (CE - Italy) year 2017
Barilla G. e R. Fratelli Società per Azioni	01654010345	European Comunity	13,438	06/15/2018	Research Project Horizons 14-20
Barilla G. e R. Fratelli Società per Azioni	01654010345	European Comunity	12,023	10/01/2018	Research Project Horizons 14-20
Barilla G. e R. Fratelli Società per Azioni	01654010345	European Comunity	46,511	11/21/2018	Research Project Horizons 14-20
Barilla G. e R. Fratelli Società per Azioni	01654010345	European Comunity	26,875	01/19/2018	Research Project Horizons 14-20
Barilla G. e R. Fratelli Società per Azioni	01654010345	European Comunity	39,865	02/23/2018	Research Project Horizons 14-20
Barilla G. e R. Fratelli Società per Azioni	01654010345	European Comunity	58,208	04/16/2018	Research Project Horizons 14-20
Barilla G. e R. Fratelli Società per Azioni	01654010345	European Comunity	25,920	10/26/2018	Framework contract
		TOTAL	**3,668,395**		

Report of Indipendent Auditors

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(Translation from the Italian original which remains the definitive version)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010

To the shareholders of
Barilla Iniziative S.p.A.

Report on the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Barilla Iniziative Group (the "group"), which comprise the statement of financial position as at 31 December 2018, the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes thereto, which include a summary of the key accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position as at 31 December 2018 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "Independent auditors' responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the parent company Barilla Iniziative S.p.A.. in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the company's directors and board of statutory auditors for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and, in accordance with the Italian law, for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the related disclosures. The use of this basis of accounting is appropriate unless the directors either intend to liquidate the parent company Barilla Iniziative S.p.A. or to cease operations, or have no realistic alternative but to do so.

The board of statutory auditors is responsible for overseeing, in accordance with the Italian law, the company's financial reporting process.

Independent auditors' responsibilities for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the planning and performance of the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10

The company's directors are responsible for the preparation of a directors' report at 31 December 2018 and for the consistency of such report with the related consolidated financial statements and its compliance with applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report with the group's consolidated financial statements at 31 December 2018 and its compliance with applicable law and to express a statement on any significant misstatement.

In our opinion, the directors' report is consistent with group's consolidated financial statements at 31 December 2018 and has been prepared in compliance with the applicable law.

With reference to the statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the company and its environment obtained when performing our audit, we have nothing to report.

Parma, 12 April 2019

KPMG S.p.A.

(signed on the original)

Lino Barbieri
Director of Audit

Corporate information and contacts

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