Annual Report 2016

Barilla
The Italian Food Company. Since 1877.

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Every day Barilla's know-how enters the homes of millions of people.

Summary

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

From left: Paolo Barilla (Deputy chairman), Luca Barilla (Deputy chairman), Guido Maria Barilla (Chairman), Claudio Colzani (Chief executive officer and General Manager).

Chairman's letter

Eat less, eat better, all must eat

The social, financial, and environmental scenario we are facing is extremely fragile and it is modifying our way of thinking as well as our behaviours. The kind of thoughts emerging from this context touch us as people and they affect our way of doing business. As a company we were able to react through the choices we made, our products and services, our connection with the communities in the areas where we operate. In this climate of uncertainty we have forged ahead in planning our future along the road we chose a long time ago, which intersects the Mediterranean Diet, culture, food tradition and innovation, with the respect for the people and the resources offered by our Planet.

In addition, this year the market has proven that our model of doing business is on the right track. The net revenue in 2016 was 3,413 million euro with a 2% increase net of the currency exchange effect. In Italy the new healthy food products, both in the pasta and sauce businesses as well as the bakery products (such as whole grain, gluten free, multigrain and "Mulino Verde"), showed double-digit growth. We achieved excellent results in Europe, with a 4% increase in sales volumes mainly due to the pasta and sauce categories. We had extraordinary success in Russia where, in spite of a difficult situation, volumes grew by 34% and we became the number one brand in the regions of Moscow and Saint Petersburg. In the USA, we confirmed our strength, and innovation in the pasta category (semolina, gluten free, organic pasta and "Pasta Pronto") rewarded us by raising our market share value to 31.4%. We have also strengthened our position in the Asian emerging markets and in the higher added value one of the Middle East.

I would like to read these results as the effect of a kind of leadership that is more cultural and intellectual than business-focused. These results originate from that journey we undertook some time ago on the meaning of being a food manufacturer in the twenty-first century, which has inspired our mission "Good for You, Good for the Planet", consistent with a behaviour that has always placed our people first.

In particular, in 2016 we continued investing to improve the nutritional profile of our products. In keeping with this decision, we replaced palm oil, thus lowering the content of saturated fat in all our bakery products. At the same time, we expanded our range of whole grain biscuits, snacks, breads and bread substitutes.

We reinforced a responsible system in purchasing strategic raw materials with supply chain agreements that favour sustainable cultivation and lower the environmental impact. This allowed us to ensure an ever-increasing quality control of production and to guarantee higher profits to the farmers. This is the case of the new three-year agreements for durum wheat cultivation signed in Italy, that involved more than 5,000 companies and 65,000 hectares of farming land. Barilla sauces, made with 100% Italian basil and tomatoes, enjoyed growing appreciation by consumers for their quality and wholesomeness, and this made us decide to double the Rubbiano sauce plant (near Parma).

As our products are inspired by the Mediterranean Diet Model, the Barilla Restaurants are the expression of our culture of conviviality. Following the positive experience in the USA, two new restaurants were opened in Dubai, one of the most promising markets for Italian food products and venue of the upcoming Expo 2020.

In 2016 our path towards diversity and inclusion continued. We have ensured to our workers greater flexibility and balance between professional and private life, thanks to a "Smart Working" programme, which places us among the pioneers in Italy and saw the participation, just in Italy, of about 1000 Barilla people. Doubling the hours of working remotely (from 4 to 8 days a month) not only increased people's satisfaction and wellbeing, but it also allowed us to reduce CO_2 emissions by 665 kilo per person.

The Barilla Center for Food & Nutrition Foundation continued its work on the great themes of sustainability of the food system with the seventh edition of the Forum, during which the "Food Sustainability Index", created with "The Economist" was presented. With this initiative, by analysing 25 different countries, we discovered where food is really "good", that is where agriculture is more sustainable, where the fight against food waste is stronger and the gap between malnutrition and obesity is narrower, with the objective of offering scholars, institutions and civil society in general, a useful tool to better understand how to direct scientific research and political choices.

Guido Barilla

Guido Barilla meets Sergio Mattarella, President of the Italian Republic.
During the meeting, held on 23 November 2016 at Palazzo del Quirinale, the activities of the Barilla Center for Food and Nutrition Foundation (BCFN) were presented.

Directors and officers

BARILLA HOLDING S.p.A

Board of directors

Chairman
Guido Maria Barilla

Deputy chairmen
Luca Barilla
Paolo Barilla

Chief executive officer
Claudio Colzani

Director
Emanuela Barilla

Board of statutory auditors

Chairman
Luigi Capitani

Auditor
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

Director
Emanuela Barilla
Antonio Belloni
Nicolaus Issenmann
Andrea Pontremoli

Board of statutory auditors

Chairman
Augusto Schianchi

Auditor
Mario Tardini
Marco Ziliotti

Independent auditors

KPMG S.p.A.

«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 GB

«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 PB

«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 e Paolo Barilla B

"EVERYTHING IS DONE FOR THE FUTURE„

Pietro ***Barilla***

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 RB

«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 LB

«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 PB

THE HISTORY OF BARILLA

Barilla
The Italian Food Company. Since 1877.

THE BEGINNINGS
1877

THE BARILLA ADVENTURE STARTS

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

RICCARDO AT THE HELM OF BARILLA
1910

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.

POST WORLD WAR II YEARS
1947

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.

BARILLA ITALIAN LEADER
1958
1970

MINA SINGS TONIGHT!

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.

BARILLA BECOME AMERICAN
1971

THE AMERICAN INTERLUDE

IN 1971, THE BARILLA FAMILY SOLD THE COMPANY TO THE AMERICAN FIRM GRACE.

THE MULINO BIANCO ERA BEGIN
1975

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.

THE RETURN OF PIETRO BARILLA
1979
1993

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 E 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.

THE INTERNATIONAL EXPANSION
2000

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).

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.

TODAY
2010

IN 2014, THE BCFN BECOMES A FOUNDATION, STRENGTHENING ITS COMMITMENT TO FIND CONCRETE SOLUTIONS TO THE WORLD'S MAJOR FOOD CHALLENGES. THE BCFN FOUNDATION LAUNCHES THE IDEA OF SIGNING A GLOBAL FOOD DEAL AT EXPO 2015 IN MILAN, DUBBED THE "MILAN PROTOCOL", WITH THREE MAIN GOALS:

- CUT FOOD WASTE
- FIGHT HUNGER AND OBESITY
- PROMOTE SUSTAINABLE AGRICULTURE

2014

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.

2016

Directors' Report

Notwithstanding political uncertainty in the developed economies and the fragility of emerging markets, the Barilla Group confirmed growth in sales volumes and total revenue of euro 3,413 million, a 1% increase on last year, corresponding to an increase of 2% net of the foreign exchange impact.

Once again, the Group showed its ability to achieve growth on the previous year, particularly in the Meal Solutions business segment, while at the same time improving profitability despite increased investment in promotional and marketing activities in order to face competition.

The growth in profitability contributed to the Group's positive net financial position of euro 66 million and that is the confirmation of its ability to create value.

Growth, value creation, consumer well-being, development of human capital, sustainability and inclusivity represent the values and goals that guided the Group in the past year, building up and continuing the work carried out in recent years.

Our development strategy is long-term and is centered on the following well-established levers:

- Plan our future around the sustainability principle: "Good for You, Good for the Planet", which focuses constant attention on product quality and consumer well-being through distinct projects. This saw the removal of palm oil from all of our bakery products this year;
- Promote our products with particular emphasis on the premium segments of our categories, by capitalizing on previous years' results and continuously striving for knowledge, experience, control, sustainability and innovation;
- Maintain and pursue excellence with regard to food quality and safety;
- Invest to maintain and innovate the Group's industrial capital consistently and on a timely basis in order to support and initiate growth strategies;
- Foster People Diversity and Inclusion, not only within the Group but also the communities in which it operates;
- From a geographical perspective, one of the key priorities of the business strategy is internationalization, with plans to expand overseas (including Brazil and Russia where we have already laid solid foundations) and develop and extend the Italian market that unfortunately has stagnated for several years now.

Transactions involving subsidiaries

There were no significant changes in the Group structure compared to the previous year.

The following commentary provides a detailed review of the activities of the individual Group companies and Barilla Holding Società per Azioni ("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 or 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 Holding Società per Azioni is the parent company, is defined as "the Barilla Holding Group" or "the Group".

Where comments relate specifically to the parent company, or the individual subsidiaries, the full name and legal form of the companies are stated.

Consolidated financial highlights

Operating profit from continuing operations (EBIT) totaled euro 380 million (euro 305 million), representing 11% of revenue (9%).

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 512 million (euro 440 million), corresponding to an average 15% of revenue (13%).

Profit before income tax equaled euro 371 million (euro 278 million).

Consolidated profit for the year amounted to euro 239 million compared to a profit of euro 172 million in 2015, principally due to higher operating margins.

Consolidated profit attributable to owners of the parent (net of non-controlling interests) amounted to euro 201 million, compared to euro 144 million last year. Profit attributable to non-controlling interests amounted approximately to euro 38 million.

Current and deferred income taxes for the year totaled euro 132 million (euro 106 million); the effective tax rate fell to 35.5% (39%).

The net financial position was positive and amounted to euro 66 million (net indebtedness of euro 170 million at 31 December 2015); for further details, see the Illustrative notes to the financial statements.

The principal loans in place are:

- Bonds issued by Barilla France S.A.S. totaling USD 200 million placed with US institutional investors in July 2011 and divided into tranches (maturing between 2018 and 2023). The bonds, including the related hedging instruments, amounted to euro 137 million at the year-end;
- USD 150 million bonds issued by Barilla Iniziative S.p.A., placed with US institutional investors that mature in 2025.
  These bonds, including the related hedging instruments valued at mark-to-market, amounted to euro 114 million at the year-end;
- USD 185 million bonds issued by Barilla Iniziative S.p.A., placed with US institutional investors that mature on 28 October 2027. These bonds, including the related hedging instruments valued at mark-to-market, amounted to euro 170 million at the year-end;
- A euro 700 million five-year revolving credit facility (2014-2019) between Barilla Iniziative S.p.A., Barilla G. e R. Fratelli Società per Azioni, Barilla France S.A.S. and 15 Italian and international banks, entirely unused at 31 December 2016;
- 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 that matures in 2020. The outstanding principal amounted to euro 22 million at 31 December 2016.

In accordance with the financial strategies adopted, the Group has sufficient financial resources, comprising a high level of medium-term debt, to fund future business opportunities.

Barilla opens in Dubai the first restaurants outside the United States, offering people the experience of authentic Italian food.

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. Currently there are three restaurants and the growth plan is ambitious.

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.

Barilla has been engaged for years in promoting educational paths for young people, so that they can better understand the importance of the food they eat and of a correct lifestyle.

"ONLY ONE WAY OF DOING BUSINESS: GOOD FOR YOU, GOOD FOR THE PLANET„

Guido Barilla

Group structure and organisation

Barilla Holding Società per Azioni's investments in its operating subsidiaries are held indirectly through the sub-holding Barilla Iniziative S.p.A., which is 85% owned by Barilla Holding Società per Azioni.

Barilla Iniziative S.p.A. holds 100% of Barilla G. e R. Fratelli Società per Azioni and Italian Kitchen S.r.l. The former investment focuses, both directly and through its sub-holding in the other operating subsidiaries, on the manufacture and sale of pasta, sauces and bakery products both in the domestic and international markets, while the latter is designated to the development and management of the Restaurants business through operating subsidiaries in the United States.

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

International markets experienced a period of low growth, low interest and inflation rates, however the second half of the year saw an improvement in growth rates for a number of countries despite the uncertain economic climate.

With regard to the developed economies, performance in the United States fluctuated during the year with a partial recovery in the third quarter of the downturn experienced at the beginning of the year, resulting in moderate growth and lower unemployment, which was then impacted by the uncertainties surrounding the unexpected presidential outcome.

Within the Euro area, growth was below expectation despite the recovery in manufacturing driven by exports.

The European Union continues to bear the burden of the structural weaknesses of Southern European countries and it suffered political setbacks following Brexit and pending the outcome of forthcoming general elections in its principal member states (France and Germany), which has put on standby urgent reforms required to boost the euro.

With regard to Italy, the slow progress of structural reforms relaunched growth albeit at a modest rate due to the continued political uncertainty. Consumption and investment remained stable while savings grew together with the situation of unrest, both undeniable indicators that recovery is not yet stable.

In France, the uncertainty surrounding the general election in April 2017 has put the country on standby without significant steps being taken to promote growth despite an almost worrying level of public debt.

Germany has been the strongest economy in the European Union for at least the last ten years, with growth driven almost exclusively by exports. The approaching elections will be decisive in defining the policies required to boost the current stagnation in domestic demand.

Greece continues to implement its stringent recovery plan.
There has been a glimpse of concrete signs of recovery (GDP for the current year is forecast at almost 3%), however the burden of public debt is increasingly unbearable.

Due to their flexible nature, since the 2008 financial crisis, emerging and developing economies have been the driving force behind international economic recovery (together with, albeit to a lesser extent, the United States). China experienced positive growth despite a slowdown during the year thanks to government intervention to support the economy, while there is the permanent risk of bubbles forming in the most dynamic sectors (in particular the construction industry). Despite Russia's growth being well below potential, it has started to enjoy the positive impact of more stable oil prices.

On the other hand, growth in the Latin American countries such as Argentina and Brazil, continues to slow down, as with Turkey that has witnessed a marked fall in domestic demand and revenue from tourism. Growth in the Middle East and Africa has been affected by the trend in raw materials' prices as these countries are the principal exporters.

Group operating activities review

Barilla G. e R. Fratelli

The Group operates in the following Regions:

- Italy;
- Europe, including Russia but excluding Italy;
- America including the entire American continent;
- Asia, Africa and Australia, including Turkey.

The specific know-how and brands are maintained and safeguarded through the following Categories and Brands:

- Meal Solutions, comprising the manufacturing and sale of first courses (pasta and sauces) under the Barilla, Voiello, Misko, Filiz, Yemina and Vesta brands;
- Bakery, consisting in the production and sale of bakery products principally through the Mulino Bianco, Pavesi, Wasa and Harrys brands.

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

Italy Region

Again in 2016, the Group had to face difficult macro-economic conditions in Italy due to low growth, low consumer confidence and falling prices also caused by deflation.

Although branded products performed better than last year, the fall in share persisted while local and private brands enjoyed continued growth. Large wholesalers (hyper and supermarkets), for which Barilla is one of the main players, once again suffered a fall in volumes in 2016, while discount channels continue to grow year after year.

Despite these restraining factors, the Group's results in Italy were only slightly below those of the previous year, with the positive performance of the Meal Solutions business offsetting the slight downturn in the Bakery business that after a particularly difficult year showed strong recovery towards the end of the year.

More specifically:

- Products in the "Better for You" segment (wholewheat ranges and the Gluten Free, Multicereali, Mulino Verde and Wasa product ranges), with the help of new product launches, enjoyed double digit growth and contributed to increasing profitability both in the Meal Solutions and Bakery segments;
- In the Meal Solutions business, sauces continued to increase share due to new sales initiatives and a solid product base, which consolidated the market leadership. Pasta performed extremely well in 2016, due to marketing policies implemented in the previous year. In particular within the premium category, the Voiello brand enjoyed marked growth due to targeted sales policies that led to increased market share;
- Towards the year-end, the Bakery business recovered most of the market share it had lost in the first six months of the year. This recovery was driven by stronger sales initiatives, a new marketing campaign and a review of the nutritional profile of products. The category which mostly contributed to the turnaround in performance was the Biscuits category, which thanks to the reformulation of a number of products and the expansion of products offered in the health food range, achieved a market share in volume terms in line with those of 2015.
  The Rusks market showed signs of recovery only towards the end of the year, particularly due to new product launches in the health food's range and more generally due to the formulation of new recipes for certain products. The Minicakes category experienced strong competition throughout the entire year resulting in negative performance. The results of the Soft breads category began to show improvement in the second half of the year thanks to new product launches and marketing strategies.

Europe Region

2016 marked another growth year for the Europe Region where the Group recorded a 4% increase in total sales volumes and 3% in revenue (at constant exchange rates), which was mainly driven by the Pasta and Sauces categories.

Performance within the Region may be summarized as follows:

- In Western Europe, Group volumes increased by 3% and 1% in revenue (at constant exchange rates). More specifically, despite the strategy to focus on branded products and fierce price competition, in France the Group recorded a 2% increase in volumes with revenue remaining stable. In Belgium, the Iberian Peninsula and the United Kingdom the Group continued on its growth trajectory supported by marketing activities, with particular focus on the Pasta category;
- The Central Europe cluster confirmed the extremely solid performance, recording an increase of 5% in volumes and 3% in revenue (at constant exchange rates). In Germany, in particular, all the Pasta, Sauces and Breads categories increased the market shares in terms of both volume and value;
- The Northern Europe area suffered a slight downturn in volumes compared to 2015, while revenue remained constant (at constant exchange rates). This is due to leaving the soft breads business in Sweden that was partially offset by an increase in Norway resulting from the launch of a process to revise sales conditions and a review of the business model;
- In Eastern Europe, the Group's results increased in all countries in this cluster (+4% in volumes and +6% in revenue at constant exchange rates): Poland, the countries of the Adriatic region, Romania, Hungary, the Czech Republic and Slovakia, increase principally driven by products in the Pasta and Sauces categories. In Greece, which continues to struggle with a difficult macro-economic situation, the Group's results fell both in volumes and revenue (-3% and -1% respectively), but saw improved profitability that will support the business in the medium/long-term;
- Russia and the former Soviet Union states performed exceptionally well, with a rise of 34% in volumes and 37% in revenue (at constant exchange rates). In particular, growth in the Pasta market share in Russia (produced in the local factory of Solnečnogorsk near Moscow since 2015) led Barilla to hold the market leader position in the Moscow and Saint Petersburg areas while taking second place in the entire market in value terms.

America Region

Growth in the US economy experienced a slowdown compared to prior years closing at 1.6%, one percentage point down from last year. Mexico enjoyed positive growth albeit lower than previous years, despite a fall in investment and exports, thanks to a fall in unemployment, higher salaries, low inflation and increased domestic demand and lending, while Brazil showed signs of coming out of recession.

In light of the above, during the year, the America Region 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. Growth was recorded once again in the Pasta category with market share in value terms increasing by 1% to 31.4%, resulting from increased consumption of classic products sold in the iconic blue packaging (Durum wheat pasta and Pasta Pronto), the innovative products in the Barilla Premium Pasta range (including Gluten Free, Collezione and organic pasta), all of which was supported by significant investment in marketing;
- The market share of the Modern Trade channel in Mexico reached 33.5% in value terms (a 0.3% increase on last year), thanks to the combined effect of new product launches and packaging improvements;
- In Brazil the Group consolidated its market share thus improving the financial stability of the business. The market share in value terms in the São Paulo area, where the Group's activities are concentrated, was 19.5%, representing an increase of 0.4% on last year;
- In Canada, the Group's market share of the Pasta Segment in value terms is now 11.4% (+0.9%), principally due to trade support and marketing activities.

Asia, Africa and Australia Region

The results of the Asia, Africa and Australia Region faced the issues linked to political and economic instability in these areas throughout the course of 2016. Asia witnessed a general slowdown in economic growth while in Africa the governments raised trade barriers limiting imports.

Despite these factors the Group consolidated its results in the Region with volumes increasing by more than 2% compared to last year. More specifically, performance in the individual countries may be summarized as follows:

- In Turkey the political climate damaged local economy resulting in the devaluation of currency, crisis in domestic demand and increased financial risk that resulted in a worsening in the recovery of debts. However, the market share in value terms remained at more than 30% thanks to the development of the Filiz and Barilla brands;
- Strong growth was recorded in Australia with the market share in value terms amounting to 16.7% (+3.2%);
- Investment continued in Israel, South Korea and Saudi Arabia to rationalize and optimize the route to market;
- In China and other emerging markets, the market share in value terms grew due to the positive results of the new market penetration strategy.

Revenue increased overall by 6% compared to last year, at constant exchange rates, principally as a result of higher volumes but also penetration in high added value markets, amongst which the Middle East.

Barilla Restaurants

In 2016 the Barilla Restaurants business continued its mission of spreading the Mediterranean food and lifestyle experience through the restaurant business: in addition to consolidating the operations of the three restaurants located in Manhattan, New York, work commenced for the opening of new restaurants on the California coast.

A franchising agreement was also signed this year with an important local operator in the Arab states that are members of the Gulf Cooperation Council, which resulted in the opening of two restaurants in Dubai in November 2016.

Capital expenditure

The Group's aim to innovate products, increase production capacity and improve efficiency resulted in capital expenditure of euro 118 million, corresponding to 3.5% of revenue. The main investments comprised:

- Completion of the Gluten Free pasta production line in America;
- The dry breads Gluten Free production line in Germany;
- Reallocation of production to the factory in Chateauroux following closure of the Grand Prè (France) facility, with a consequent improvement in industrial standards;
- Activities to guarantee the removal of traces of allergens from pasta production at the Pedrignano factory (Parma, Italy);
- Investment in the "Best Pasta Ever" project that involved the product manufacturing and packaging stages in the Foggia factory (Italy);
- An increase in production capacity and packaging quality of the lines dedicated to the production of Wasa products in the Filipstad factory (Sweden).

Corporate Governance

Barilla Holding Società per Azioni and the Group's Italian subsidiaries have adopted a traditional control structure consisting of a Board of Directors, a Board of Statutory Auditors and an Independent Auditor appointed by the General Meeting of Shareholders.

With regard to Barilla G. e R. Fratelli Società per Azioni and its subsidiaries, the governance structure is similar to that of the holding company, while the internal control system and the Organization, Management and Control Model pursuant to Legislative Decree 231/2001 (the Decree) are tailored to each company's specific needs. The Organization, Management and Control Model comprises a General section and Special sections 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 Board of Directors is the body vested with the widest powers of ordinary and extraordinary administration with the exception of those assigned to the General Meeting of Shareholders either by law or by the articles of association. The Board of Directors is responsible for managing the business, assessing the adequacy of the organization, administration and accounting functions, the review of the overall operating performance and the adoption of resolutions which require the approval of the Board of Directors pursuant to the articles of association. The current Board of Directors consists of five members and the term of office expires at the next General Meeting of Shareholders called to approve the 2016 Annual Report.

The Board of Statutory Auditors oversees compliance with the law and the articles of association and the principles of correct administration. The members of the Board of Statutory Auditors are appointed for a three-year term and may be reappointed. The current Board of Statutory Auditors is made up of three permanent and two substitute auditors whose term of office expires at the General Meeting of Shareholders called to approve the 2017 Annual Report.

The Supervisory Board of Barilla Holding Società per Azioni is composed of a sole member while the Supervisory Board of Barilla G. e R. Fratelli Società per Azioni consists of three members. Barilla G. e R. Fratelli Società per Azioni's Board comprises the heads of the Group Legal Corporate and Compliance and the Group Internal Audit Process Units, and an independent member who is a university lecturer and self-employed professional and is also the sole member of Barilla Holding Società per Azioni's Supervisory Board. The Supervisory Boards present half-yearly reports on their activities to the relevant Boards of Directors. In the course of 2016, the Supervisory Boards carried out their role of preventing the commission of corporate crimes pursuant to the Decree (and ensuing updates/amendments) by verifying the adequacy and implementation of the provisions of the Organization, Management and Control Model and the Code of Ethics adopted by the Company.

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 Holding Group and the Separate financial statements of the principal Group subsidiaries.

In light of the increasing internationalization of the Group, a project was launched in 2016 with the purpose of establishing a Compliance department and an Integrated Compliance System (the System). The Group Legal and Corporate Affairs Officer was appointed to the role of Group Compliance Officer. The Group Compliance Officer and the Compliance department worked on the implementation of the System, which entails, where necessary, the strengthening of control policies and procedures, training of Group employees in the relevant areas and a whistleblowing channel that allows potential departures from policy to be notified anonymously.

The System is governed by a Master Policy, in addition to specific policies aimed at ensuring compliance with the relevant topics, namely: Privacy, Competition Law, Money Laundering, Anti-corruption, International Sanctions, Food Legislation and Advertising. The governance framework of the main Italian subsidiaries reflects the individual operating structures, taking into consideration the Group governance principles and local legislation.

"Good for You, Good for the Planet": Barilla Group's mission

"Good for You, Good for the Planet" encapsulates Barilla Group's mission and the only way the company has chosen to carry out its business in order to grow, strengthen its presence in existing markets and expand into emerging markets. The model applies to the entire supply chain, from the field to the table, and aims to make Barilla the preferred brand of consumers and promote a wholesome, joyful diet inspired by the Mediterranean way of life. Barilla offers not only products but it promotes well-being for all of those who choose its products every day, for the communities in which it operates and the planet. This ambitious project is executed with the commitment of all individuals that work within the Group and the involvement of the key external stakeholders.

"Good for You" is realized by providing a range of products that represent an enjoyable and flavorsome experience, while applying the highest food quality and safety standards and guaranteeing a balanced nutritional content.

"Good for the Planet" centers the attention on environmental management whereby the activities of factories and offices focus on reducing emissions and consumption, and the selection and procurement of the key raw materials used in Barilla recipes from responsibly managed supply chains.

"Good for the Community" commits the Group to respond to the needs of its employees and local communities, promoting diversity, disseminating knowledge on the topics of diet and nutrition, offering educational programs for youth and supporting local production.

In 2009 Barilla established a think tank to investigate the topics and analyse the economic, scientific, social and environmental factors associated with food. This became the Barilla Center for Food and Nutrition Foundation (BCFN) in 2014. The BCFN is a multi-disciplinary, independent think tank that has established an open dialogue with the academic and political world, the private and social sectors. The co-existence of hunger and obesity, food waste, the over exploitation of natural resources as well as climate change and the increase in migration are just some of the global issues that the BCFN studies and examines in depth. Through its studies and publications, the BCFN presents information that provides the public with all of the tools needed to make informed choices regarding their diet, comparing the nutritional value of food with its environmental impact.

The studies carried out by the BCFN form a reference point for the Barilla Group on how it should conduct its business, such as the Double Pyramid Model and more recently the Food Sustainability Index. This index, developed by the Economist Intelligence Unit together with the BCFN, is aimed at identifying the best practices globally and for each individual country, in relation to the key objectives of sustainable development regarding food, climate change, cities, responsible production and consumption, health, gender equality, education and infrastructure.

Environmental management

The Group has established systems and controls aimed at reducing its environmental impact:

- 90% of the Group's factories (bakeries, pasta factories and mills) hold an Integrated Environmental Management System, developed in accordance with technical regulations; consequently approximately 88% of sales volumes is produced in ISO 14001 certified factories (specific certification on the subject of environmental management);
- In accordance with stringent European IPPC regulations (Integrated Pollution Prevention and Control), all bakeries, the Italian pasta factories and the Altamura, Castelplanio and Ferrara mills hold the Integrated Environmental Authorization;
- 69% of production volumes in 2016 held a public declaration of the related environmental impact; Barilla has employed for several years the Life Cycle Assessment tool; in accordance with the international EPD system (Environmental Product Declaration) – www.environdec.com – it 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;
- With regard to the packaging of our products, the virgin fiber cardboard used for pasta packaging is sourced from sustainably managed forests that comply with at least one of the following international standards managed by non-profit, non-governmental organizations: FSC (Forest Stewardship Council), PEFC (Programme for the Endorsement of Forest Certification) or SFI (Sustainable Forestry Initiative). Moreover, more than 98% of packaging on the market is technically recyclable;
- The procedure to define, validate and publish environmental declarations pursuant to the specific regulations ISO 14020 and 14021, is certified periodically by an independent third party.

With regard to energy saving and the use of energy from renewable sources:

- The production of Mulino Bianco, Wasa and Barilla sauces is covered by specific certificates (GOs - European Guarantees of Origin) that confirm the production using renewable energy sources generated in hydro-electric plants;
- 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 and furthermore, plans continue to reduce energy consumption.

The ESP - Energy Saving Project, established to initiate improvement projects in all of the factories, in accordance with the recently introduced international technical standard ISO 50001, launched the implementation of an Energy Management System. As a result, today more than 30% of production takes place in ISO 50001 certified factories (specific certification on energy).

The two plants in Parma and Foggia (Italy) are covered by the Emissions Trading Scheme and are certified periodically by an independent third party.

Last year, new durum wheat storage silos linked to rail transport were opened at the Pedrignano factory (Parma, Italy), which has reduced the number of trucks on the roads by more than 2,500.

Health & Safety

The Group developed the Barilla Integrated Safety-at-Work Management System that was rolled out during the year to all of the European operating sites. This system was developed in accordance with international technical standard OHSAS 18001 (Occupational Health and Safety Assessment Series) to guarantee improved health and safety standards for employees and covers 86% of the Group's factories.

Work commenced on the project launched last year in the Solnečnogorsk factory (Russia) and certification should be obtained in 2017.

The global audit plan continues to cover the areas of safety, the environment, fire prevention and energy and around 110 specific checks took place in 2016 throughout all of the pasta factories, bakeries and mills with the support of specialist enterprises.

More than 56,000 training hours took place on the subjects of health, safety at work, the environment and fire prevention in the course of 2016.

The prevention efforts carried out on the areas of health and safety at work has favored a significant fall in the accident rate of the entire Group in recent years. For a number of years some factories have maintained the target of no accidents taking place. The extensive prevention activities has resulted in the percentage of accidents across the entire Group falling by 27% over the last five years, with a decrease in the accident frequency rate of 31% and the critical incidence rate of 45% compared to the rates recorded in 2012.

No critical accidents involving employees occurred in the workplace in 2016 and no actions are pending in respect of health and safety matters.

Human capital

The number of employees at 31 December 2016 was 8,420 (8,295), of which 4,044 (3,991) are located in Italy and 4,376 (4,304) overseas. An analysis of employees compared to the previous year is illustrated below:

	12/31/2016	12/31/2015
Managers and white-collar staff	3,052	3,088
Blue-collar staff	5,368	5,207
Total	**8,420**	**8,295**

The Group continued the process of strengthening the business in 2016, reinforcing the regions and markets that represent the true core of the organization structure.

Training activities focused this year on developing professional and leadership skills. The former were addressed by launching internal training labs (Academy) across various corporate functions (Marketing, Sales, Finance), in which all of the professional communities may acquire the abilities and skills required to attain executive excellence and consequently better results.

With regard to leadership skills, training offered focused on the development of functional skills, corporate identity and change support, adopting a methodology that takes into account the opinions of independent professionals, collaborators and Group top management.

The Smart Working project was rolled out further in 2016 and thanks to the use of communication and collaboration technology and innovative workspaces this continues to promote flexible working based on a performance culture. This expansion has resulted in increased working flexibility and a rise in the number of people involved, which has now reached 1,700 employees. The satisfaction and the benefits for our people are combined with those of the business and the planet due to the reduced environmental impact.

Together with the support of top management, the Diversity & Inclusion Advisory Board, whose mission is to set challenging objectives in supporting a workforce that is highly diversified and inclusive, has launched projects in the communities in which Barilla works and continued to drive cultural change within the Group. Two employee-led groups were formed during the year, the Employee Resource Groups - ERG: "Balance", aimed at promoting gender balance and work-life balance and "Voice" to support LGBT employees and sympathizers.

The company finalized the training and awareness campaign covering the areas involved in diversity and inclusion, disseminating this across the entire organization and openly discussing these subjects in each country. At the conclusion of these discussions specific action plans were drawn up and implemented.

Barilla is determined more than ever to create an organization guided by the principles of diversity and inclusion in order to support all of its employees equally and respect clients and consumers, recognizing that differences between human beings enrich the lives of people and the company.

Research and development activities

Following the mission "Good for You, Good for the Planet", the Group invested euro 40 million on research and development during the year that contributes to guaranteeing the provision of products with an improved nutritional content. With the collaboration of internationally renowned specialists who form the Nutrition Advisory Board, the following activities took place in 2016:

- Reduced the saturated fat content of all bakery products by replacing the palm oil;
- Increased the range of wholewheat products in a number of product categories (biscuits, snacks, breads and bread substitutes) to satisfy current consumer trends;
- Intense nutritional research on pasta aimed at divulging accurate information on the nutritional quality of complex carbohydrates, with numerous studies under way in Europe and the United States, with the purpose of assessing the impact of eating pasta on body weight and glycemic response and more generally, the role this product plays in our diet;
- Studies to determine the benefits of consuming rye based products, in particular Crispbreads, the consumption of which is widespread in Northern Europe;
- An innovative project named "sì.mediterraneo", which aims to raise awareness levels regarding lifestyle and best diet practices through projects initially involving Group employees.

Sustainable supply chain management and relations with the local territory

The Barilla Group has been committed for some years now to purchasing raw materials sourced from best farming practices, preferring the growth of raw materials in the country in which they are used in production, with the aim of reducing the impact on the planet and developing sustainable projects and also in an attempt to contribute to the well-being of the territories in which it operates.

Barilla's products are created through collaboration with more than 1,200 worldwide suppliers and using 800 types of raw material and 50 of packaging materials.

Through close collaboration with all players in the supply chain, Barilla's mission is to consolidate a responsible purchasing system for key raw materials that guarantees a constant increase in their sustainability.

With regard to the durum wheat supply chain, Barilla has established a network of manufacturing partners and academics, the objective being to promote sustainable farming employing techniques with a lower environmental impact, while at the same time to guarantee greater control over production quality, balanced pricing strategies and more financial sustainability for farmers.

The agreements with the supply chain partners accounted for 55% of total purchases in Italy in 2016. A portion of the harvest was farmed in compliance with the provisions of the Decalogue for Sustainable Farming of Durum Wheat (Decalogue) that aim to make the farming stage more efficient and sustainable: the portion of wheat harvested using this advanced system increased from 18% to 26% and involved around 1,500 Italian farmers.

In Greece, with the collaboration of the University of Thessaly, the Decalogue and the support system for decisions relating to agronomy are now available in Greek for local farmers and will be used by some pilot farming businesses for the 2016/17 farming year.

The collaboration with the North Dakota State University (NDSU) to improve the durum wheat supply chain is the first of its kind to be finalized and will result in the publication in 2017 of the best durum wheat farming practices for the North Dakota area.

81% of durum wheat used in 2016 in the manufacture of the numerous Barilla Group brands was farmed locally in the country in which the pasta was produced, thus improving supply chain efficiency.

With regard to the Mulino Bianco, Pavesi and Le Emiliane brands, Barilla continued to use existing supply chain agreements to ensure that only eggs from free-range hens are used and will be joined in March 2017 by the Harrys brand that will also move to the exclusive use of vegetable-based feed. International agreements guarantee that 100% of cocoa and palm oil is sourced from members of international organizations responsible for sustainability and safeguarding human and environmental rights.

100% of palm oil used in 2016 was derived from sustainable farming certified under RSPO (Roundtable of Sustainable Palm Oil) through agreements that not only ensure certification but also guarantee that no deforestation takes place and peat bogs are not used to cultivate palm oil. Palm oil has now been removed from all recipes and from 2017 sunflower oil will represent the Group's main oil source and partnerships will be established in 2017 to improve also the sustainability of this supply chain.

Almost 80% of tomatoes used in Barilla brand sauces produced in Italy in 2016 were sourced from Global Gap certified farming that guarantees safe production for the consumer, traceability, respect for the environment, safeguarding employees' health, with the aim being to reach 100% of production by 2020.

Customer relations

In order to establish a relationship of trust with its customers, Barilla has chosen to guarantee the provision of good, safe, hig-quality and nutritionally-balanced products in line with the Mediterranean Model. In addition to guaranteeing product quality through stringent controls throughout the entire supply chain, manufacturing processes up to the monitoring of products in the stores, the Group strives to develop local communities, people's well-being and safeguard the planet's resources.

The principal objective is still to become the first brand and product choice for people and our customers, by focusing on the quality of products and service and on the trust founded on close, transparent relationships, the constant collaboration with the local territory to foster the inclusion of diversity, access to food and the promotion of responsible choices through educational projects.

The constant dialogue with people through different listening channels across the diverse geographical locations brings us closer to customer needs and allows us to monitor perceived quality and achieve continuous improvement.

Risk management

The process of updating the Group's risk profile was once again carried out by the Enterprise Risk Management department in 2016 in collaboration with all of the departments within the organization.

The activities carried out centered around risk assessment sessions involving all organization departments and facilitated a 360 degree mapping of the major risks to which the business is exposed, which were measured and classified using common standards aimed at prioritizing risk.

This continuous update enabled:

- implementation of a dedicated Risk Register;
- consolidation of the process to identify the risk areas to which the company is potentially exposed;
- identification and allocation of responsibilities to manage each individual risk (Risk Ownership);
- identification and definition, together with top management, of the priorities and risk mitigation plans based on estimated frequency and gravity;
- identification of the degree of Financial & Reputational Risk Appetite and the standard adopted by the entire organization in order to measure each risk event.

The regular monitoring of the implementation of the agreed mitigation plans has also enabled the constant evaluation of the effectiveness of the action plans and the adequacy of the level of controls adopted for the mapped risks.

The risk profile is presented to top management on a regular basis 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, in particular those that are critical to operation, thus guaranteeing access and backup services.

Cyber Security represents a constant worry for the Group and in order to maintain a sufficient level of security significant investment is made each year on specific projects and independent specialists perform regular vulnerability assessments. The corporate network is equipped with a sophisticated infrastructure that only allows the connection of automatically recognized, authorized devices and an anti-intrusion system. Projects were developed during the year as part of the continuous improvement of systems' management operational procedures and regulations, particularly in respect of Advanced Persistent Threats, Web & Cyber Threats Intelligence and Cloud Access Security Broker. Moreover a Security Information & Event Management system is being developed for the structured control of events.

Significant events after the year-end

No significant events took place after 31 December 2016 that require disclosure.

Management outlook

2017 results are currently in line with budget with a more stable trend than the last quarter of 2016.

Other significant operating events

No changes were made to the Group structure during the year with the exception of new operating companies being set up to expand the restaurant business on the California coast.

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.

Chef Jure Tomic, of theOšterija Debeluh restaurant in Slovenia, won the fifth edition of the Barilla Pasta World Championship that took place from 9 to 11 June 2016.

Jure Tomic (the centre) with the other finalists: Mark Delia, Umberto Massimo Gorizia, Yoshitaka Miyamoto and the VIP members of the jury: Daniele Caldarulo, chef Marcello Zaccaria, Andrea Grignaffini, Davide Oldani (President of the jury), Paolo Barilla, Vittoria Belvedere and Paolo Lopriore.

Consolidated financial statements for the year ended 31 December 2016

Statement of financial position

(euro thousands)

Assets	Note	12/31/2016	12/31/2015
Current assets			
Cash and cash equivalents	6.1	536,496	306,541
Trade receivables	6.2	423,120	446,422
Tax credits	6.3	30,921	24,530
Other receivables due from parent company	6.4	555	1,281
Other assets	6.5	121,440	108,908
Inventories	6.6	257,563	272,189
Derivative financial instruments	6.20	2,387	1,411
Total current assets		**1,372,482**	**1,161,282**
Non-current assets			
Property, plant and equipment	6.7	932,675	936,331
Goodwill	6.8	471,793	477,906
Other intangible assets	6.9	39,173	47,415
Trade and other receivables	6.10	2,062	1,879
Other receivables due from parent company	6.4	7,620	7,620
Deferred income tax assets	6.11	68,047	59,165
Available-for-sale financial assets	6.12	1,570	1,551
Derivative financial instruments	6.20	111,385	104,254
Total non-current assets		**1,634,325**	**1,636,121**
Total assets		**3,006,807**	**2,797,403**

(euro thousands)

Liabilities and equity	Note	12/31/2016	12/31/2015
Current liabilities			
Trade payables	6.13	681,613	673,858
Borrowings	6.14	19,857	19,644
Derivative financial instruments	6.20	879	1,801
Retirement benefit obligations	6.15	10,898	8,245
Current income tax liabilities	6.16	8,806	12,424
Other liabilities	6.17	188,625	162,441
Provisions for other liabilities and charges	6.18	46,505	54,999
Total current liabilities		**957,183**	**933,412**
Non-current liabilities			
Borrowings	6.19	563,073	558,745
Derivative financial instruments	6.20	843	2,247
Retirement benefit obligations	6.15	139,113	135,709
Deferred income tax liabilities	6.11	43,505	43,220
Other payables	6.21	4,560	4,765
Provisions for other liabilities and charges	6.18	33,810	15,926
Total non-current liabilities		**784,904**	**760,612**
Equity	6.22		
Share capital		131,000	131,000
Reserves:			
- Currency translation reserve		74,515	75,245
- Other reserves		657,271	574,929
Profit/(loss) for the year		201,471	143,651
Capital and reserves attributable to Group equity holders		**1,064,257**	**924,825**
Non-controlling interests		162,774	150,138
Profit/(loss) attributable to non-controlling interests		37,689	28,416
Total non-controlling interests	6.23	**200,463**	**178,554**
Total equity		**1,264,720**	**1,103,379**
Total liabilities and equity		**3,006,807**	**2,797,403**

Consolidated income statement

(euro thousands)

	Note	2016	2015
Revenue	6.24	3,412,908	3,382,767
Cost of sales	6.25	(1,998,922)	(2,084,412)
Gross profit		**1,413,986**	**1,298,355**
Logistics costs	6.25	(285,632)	(291,408)
Selling costs	6.25	(149,425)	(142,350)
Marketing costs	6.25	(394,997)	(347,016)
Research and development costs	6.25	(26,164)	(25,331)
General and administrative expenses	6.25	(176,110)	(184,185)
Other income and (expenses)	6.26	(2,056)	304
Operating profit		**379,602**	**308,369**
Finance income and (costs)	6.27	(8,692)	(30,079)
Profit before income tax		**370,910**	**278,290**
Income tax expense	6.28	(131,750)	(106,223)
Profit for the year from continuing operations		**239,160**	**172,067**
Profit/(Loss) attributable to non-controlling interests		**37,689**	**28,416**
Profit/(Loss) attributable to Group equity holders		**201,471**	**143,651**

Statement of comprehensive income

(euro thousands)

	Note	2016	2015
Profit/(loss) for the year	**(a)**	**239,160**	**172,067**
Items that will not be reclassified to profit or loss:			
Actuarial gains/(losses) on future employee benefits	6.15	(6,575)	9,531
Fiscal effect	6.11	1,009	(2,521)
Total items that will not be reclassified to profit or loss	**(b)**	**(5,566)**	**7,010**
Items that may be subsequently reclassified to profit or loss:			
Cash flow hedge reserve		1,791	(5,217)
Fiscal effect	6.11	(335)	1,187
Currency translation adjustment		(2,805)	47,490
Total items that may be subsequently reclassified to profit or loss	**(c)**	**(1,349)**	**43,460**
Other comprehensive income for the year	**(b+c)**	**(6,915)**	**50,470**
Total comprehensive income/(loss) for the year	**(a+b+c)**	**232,245**	**222,537**
Total profit/(loss) for the year attributable to:			
- Non-controlling interest		**37,689**	**28,416**
- Group equity holders		**201,471**	**143,651**
Total		**239,160**	**172,067**
Total comprehensive income/(loss) attributable to:			
- Non-controlling interest		**35,002**	**35,173**
- Group equity holders		**197,243**	**187,364**
Total		**232,245**	**222,537**

Barilla sauces, made with 100% Italian basil and tomatoes, enjoyed growing appreciation by consumers for their quality and genuineness.

The production line of Bolognese sauce at the Rubbiano Plant (Parma-Italy).

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 2015	**131,000**	**75,245**	**(33,391)**	**(6,246)**	**10,929**	**603,637**	**143,651**	**924,825**	**178,554**	**1,103,379**
Destination of the profit	-	-	-	-	-	143,651	(143,651)	-	-	-
Dividends and reserves distribution	-	-	-	-	-	(57,811)	-	**(57,811)**	**(13,093)**	**(70,904)**
Comprehensive income:										
Profit	-	-	-	-	-	-	201,471	201,471	37,689	239,160
Other comprehensive income	-	(730)	(5,602)	1,521	583	-	-	**(4,228)**	**(2,687)**	**(6,915)**
Total comprehensive income	**-**	**(730)**	**(5,602)**	**1,521**	**583**	**-**	**201,471**	**197,243**	**35,002**	**232,245**
Balance at 31 December 2016	**131,000**	**74,515**	**(38,993)**	**(4,725)**	**11,512**	**689,477**	**201,471**	**1,064,257**	**200,463**	**1,264,720**

	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 2014	**131,000**	**34,068**	**(41,496)**	**(1,812)**	**12,064**	**535,929**	**125,519**	**795,272**	**156,787**	**952,059**
Destination of the profit	-	-	-	-	-	125,519	(125,519)	-	-	-
Dividends and reserves distribution	-	-	-	-	-	(57,811)	-	**(57,811)**	**(13,406)**	**(71,217)**
Comprehensive income:										
Profit	-	-	-	-	-	-	143,651	**143,651**	**28,416**	**172,067**
Other comprehensive income	-	41,177	8,105	(4,434)	(1,135)	-	-	**43,713**	**6,757**	**50,470**
Total comprehensive income	**-**	**41,177**	**8,105**	**(4,434)**	**(1,135)**	**-**	**143,651**	**187,364**	**35,173**	**222,537**
Balance at 31 December 2015	**131,000**	**75,245**	**(33,391)**	**(6,246)**	**10,929**	**603,637**	**143,651**	**924,825**	**178,554**	**1,103,379**

Statement of cash flow

(euro thousands)

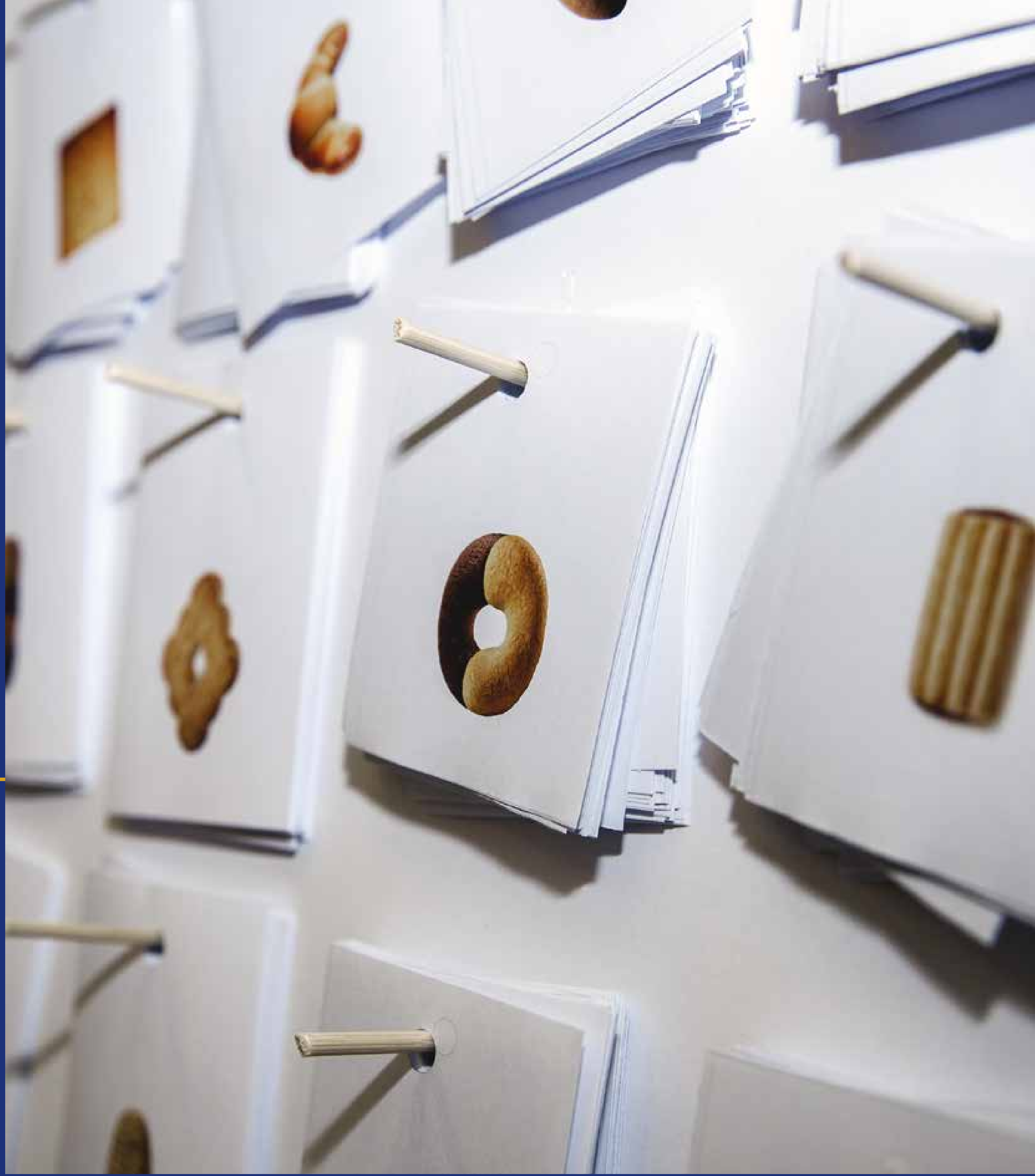
		2016	2015
Profit/(loss) before income tax		370,910	278,290
Finance costs – net, excluding gains on disposals of equity investments		8,692	30,079
Amortization and depreciation		132,514	134,845
(Profit)/loss on disposal of property, plant and equipment, intangible assets		1,934	(357)
Change in trade receivables/payables		31,056	(52,168)
Change in inventories		14,626	14,218
Change in provisions (including employee provisions)		8,887	(2,383)
Changes in other assets and liabilities		(17,769)	(9,726)
Income taxes paid		(118,696)	(119,297)
Foreign exchange gains/(losses) and other minor differences		(4,016)	29,355
Net cash generated from/(used in) operating activities	**(A)**	**428,138**	**302,856**
Purchases of property, plant and equipment		(110,111)	(139,620)
Purchases of software		(7,407)	(7,554)
Proceeds from sale of property, plant and equipment		325	2,498
Purchases of other intangible assets		(1,429)	(2,011)
Net proceeds from sale of investments or businesses		-	2,700
Investment in available for sale financial assets		(20)	-
Proceeds from capital grants		703	5,152
Net cash generated from/(used in) investing activities	**(B)**	**(117,939)**	**(138,835)**
Net change in borrowings		(2,723)	76,700
Dividends paid and reserve distribution		(70,904)	(71,217)
Interest paid		(7,909)	(9,981)
Net cash generated from/(used in) financing activities	**(C)**	**(81,536)**	**(4,498)**
Net (decrease)/increase in cash and cash equivalents and bank overdrafts	**(A+B+C)**	**228,663**	**159,523**
Cash and cash equivalents net of bank overdrafts at beginning of the year		301,430	139,865
Cash and cash equivalents net of bank overdrafts at end of the year		532,765	301,430
Exchange differences on cash and bank overdrafts		(2,672)	(2,042)
Net (decrease)/increase in cash and cash equivalents		**228,663**	**159,523**
Bank balances		536,496	306,541
Bank overdrafts		(3,731)	(5,111)
Total cash and cash equivalents net of bank overdrafts		**532,765**	**301,430**

Barilla pasta feeds the Italian athletes' dream as official sponsor of the Olympic and Paralympic teams in Rio 2016.

From the left: Luca Barilla (Vice Chairman), Gregorio Paltrinieri (Olympic swimming champion), Bebe Vio (Paralympic fencing champion), Guido Barilla (Chairman), Paolo Barilla (Vice Chairman).

"QUALITY IN EVERYTHING WE DO: PASSION, TRUST, INTELLECTUAL CURIOSITY, INTEGRITY, COURAGE„

Guido, Luca e Paolo
Barilla



In Barilla's Design Thinking area a creative approach to innovation is being developed, with the goal to meet the needs of people in a more precise and timely manner.

Illustrative notes

1. Group structure and business

Barilla Holding Società per Azioni (hereinafter "Barilla Holding"), a company incorporated in Italy with registered offices in Parma (Italy), is the parent company of the Barilla Holding Group (hereinafter "the Group" or "Barilla"). The Group operates in the manufacture and sale of pasta, sauces and bakery products, both in Italy and worldwide.

The entire share capital is owned by Guido Maria Barilla e F.lli S.a.p.A. through its subsidiaries CO.FI.BA. S.r.l. and Gelp S.p.A.

A list of the companies included in the scope of consolidation is provided in Appendix 1 and a list of investments in associated and other companies in Appendix 2.

2. Significant events after the year-end

Subsequent to 31 December 2016, the end of the reporting period, and until the date when the financial statements have been authorized for issue, there have been no significant events to report.

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

The Consolidated financial statements of the Group have been prepared in accordance with all of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU). IFRS 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 2016. 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 2016 have been compared with the prior year financial statements (amounts included in brackets in the Notes to the financial statements), and comprise 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. 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 balance sheet has been prepared with separate disclosure of current and non-current assets and liabilities.

Cost of sales includes all production costs of goods sold, comprising raw materials, components, internal and third party direct and indirect production 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 2015.

Accounting standards, amendments and interpretations adopted by the Group from 1 January 2016

The following accounting standards and amendments will be applicable for financial year beginning 1 January 2016 and approved by the European Commission:

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – Applying the Consolidation Exception
The amendment provides clarifications concerning the application of the consolidation exception for the investment entities pursuant to IFRS 10.

Amendments to IAS 1 - Disclosure Initiative
The amendment provides clarifications on disclosure elements that can be perceived as impediments to a clear and intelligible preparation of financial statements.

Amendments to IFRS – Annual improvements cycle 2012-2014
The most important topics included in these amendments are:

- IAS 19 clarifies that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid;
- IFRS 7 clarifies that in case of offsetting of financial assets and liabilities, additional disclosures are required for inclusion in the annual financial statements. It also clarifies that when an entity has transferred and fully derecognized financial assets in its financial statements, it is required to provide disclosure in relation to its "continuing involvement" if it has signed service contracts which show the entity's interest in the future performance of the transferred financial assets;
- IFRS 5 clarifies that there are no accounting impacts if an entity by changing the method of disposal of an asset (or disposal group) reclassifies an asset (or disposal group) from held-for-sale to held-for-distribution. The changing in the disposal method is considered a continuation of the original plan.

Amendment to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization
The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment, since those methods reflect factors other than the consumption of economic benefits embodied in the asset.

The amendments to IAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate for the same reasons as in IAS 16. However, for the intangible assets this presumption can be overcome only in limited and specific circumstances.

Amendments to IFRS 11 – Accounting for Acquisition of Interests in a Joint Operation
The amendments clarify the accounting treatment to be applied to acquisitions of interests in a joint operation that constitutes a business as defined in IFRS 3. The amendment requires the application of the IFRS 3 principles.

Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions (applicable for financial years beginning on or after 1 February 2015)
The amendments simplify the accounting treatment of those contributions to defined contribution plans made by employees or third parties in specific cases. They are applicable retrospectively for the fiscal years beginning on or after 1 February 2015.

At the reporting date, the adoption of these accounting standards and amendments had no significant impact to the Group.

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

IFRS 9 – "Financial Instruments" (mandatory application for financial years beginning on 1 January 2018)
The new IFRS 9 standard calls for a single model to classify and measure financial instruments.

Within the model, financial assets are classified into three categories (amortized cost, fair value in "Reserve for other components of comprehensive income" and fair value in the income statement) depending on the entity's business model (because of this dependency link, reclassifications between categories are forbidden, except when the business model itself is changed).

A new model to determine the write-downs on receivables and liabilities based on expected losses has been introduced and the default risk associated with the counterparty is evaluated ex-ante.

With regard to equity investments, the exemption from the requirement to apply fair value to measure investments that are not publicly traded has been eliminated.

Hedge accounting rules have also been changed.

IFRS 15 - "Revenues from contracts with customers" (mandatory application for financial years beginning on 1 January 2018)
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.

Moreover it should be noted that the mandatory application of the IFRS 16 – "Leases" is expected to start from 1 January 2019 or earlier adopted from 1 January 2018, even though the standard has not yet been endorsed by the European Union.

The Group is evaluating the impact of application of those new standards.

Accounting standards, amendments and interpretations not yet approved by the European Union on 31 December 2016

The following accounting standard, amendments and interpretations were issued by the IASB but not yet approved by the EU:

- IFRS 14 – "Regulatory Deferral Accounts" (mandatory application for financial years beginning on 1 January 2016);
- Amendments to IAS 12 – "Recognition of Deferred Tax Assets for Unrealised Losses" (mandatory application for financial years beginning on 1 January 2017);
- Amendments to IAS 7 – "Disclosure Initiative" (mandatory application for financial years beginning on 1 January 2017);
- Clarifications to IFRS 15 – "Revenue from Contracts with Customers" (mandatory application for financial years beginning on 1 January 2018);
- Amendments to IFRS 2 – "Classification and Measurement of Share-based Payment Transactions" (mandatory application for financial years beginning on 1 January 2018);
- Amendments to IFRS 4 – "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" (mandatory application for

financial years beginning on 1 January 2018);

- Annual Improvements to IFRS Standards 2014-2016 Cycle (mandatory application for financial years beginning on 1 January 2018);
- IFRIC Interpretation 22 – "Foreign Currency Transactions and Advance Consideration" (mandatory application for financial years beginning on 1 January 2018);
- Amendments to IAS 40 – "Transfers of Investment Property" (mandatory application for financial years beginning on 1 January 2018);
- Amendments to IFRS 10 and IAS 28 – "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (mandatory application not yet defined).

The Group is evaluating the impact of application of those new 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. Uniform accounting policies are adopted by all Group companies. The purchase or sale of financial assets are recognized or derecognized using settlement date accounting.

Estimates and assumptions

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

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

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 updated 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 market 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.

The Group does not hold financial instruments of level 3 on the fair value hierarchy.

Principles of consolidation

The financial statements comprise the financial statements of the parent company Barilla Holding, and the subsidiaries in which Barilla Holding holds, either directly or indirectly, a controlling interest. Subsidiaries represent those companies over which Barilla Holding exercises control as it has the power, either directly or indirectly, 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.The financial statements of the subsidiaries are consolidated on a line-by-line basis from the date on which the parent gains effective control up to the date on which control ceases.

The impact of all transactions between the subsidiaries and the Group is 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 rate of exchange prevailing on the transaction date. Monetary assets and liabilities are translated using year-end exchange rates and exchange differences are recognized in the 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.

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.

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.

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

Trademarks	5 to 20 years
Software	3 to 5 years

Property, plant and equipment

Property, plant and equipment are stated at acquisition or production cost, including directly attributable expenses, less accumulated depreciation and accumulated impairment losses, with the exception of land, which is not depreciated but valued at cost less accumulated impairment losses. Based on the usual 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 are as follows:

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

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

Leasehold improvements are classified in property, plant and equipment in line with the nature of the cost incurred.

The depreciation period is the lower 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 on redemption. The corresponding liability due to the lessor is classified in financial payables. The assets are depreciated applying the rates presented above in respect of "Property, plant and equipment", except where the lease term is lower than the estimated useful life and it is not reasonably certain that ownership of the leased asset will be transferred on 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 that an asset may be impaired, an impairment test should be carried out on property, plant and equipment and intangible assets.

The impairment test consists in the measurement of the recoverable value of the assets and comparison with the related carrying amount.

If the recoverable amount of an asset is lower than its carrying amount, the latter should be reduced to the recoverable amount.

This reduction represents an impairment loss and should be recognized as an expense in the income statement. With regard to assets that are not amortized, property, plant and equipment that are no longer used and intangible assets and property, plant and equipment not yet available for use, the impairment test is carried out on an annual basis, irrespective of whether specific indicators exist.

During the year, the Group assesses whether there is any indication that property, plant and equipment and intangible assets with 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: performance of the market price of the asset, significant adverse changes in the technological, market, and legal environment, the trend in market rates of return and the discount rate used in valuing investments.

The recoverable value of an asset is defined as the higher of the fair value 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 or group of cash generating units to which it belongs. Where the conditions that led to the reduction in value no longer exist, the carrying value of the asset or the cash generating unit is restated to the new estimated recoverable value, which may not exceed the carrying value that would have been recognized had the original impairment not been incurred. This restatement is recorded in the income statement.

Purchased goodwill that is allocated to units or groups of cash generating units during the year is subjected to an impairment test prior to the end of the financial period in which the purchase and allocation took place.

In order to assess its recoverability, the goodwill is allocated from the purchase date to each of the 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 income statement.

The impairment loss is initially recorded as a reduction in the carrying amount of the goodwill allocated to the CGU (or group of 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 business plans approved 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, which generally represent the operating segments. The Group operating segments correspond to the following Business Units: Region Italy, Region Europe, Region America, Region Asia, Africa & Australia, for the Categories Meal Solutions and Bakery.

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 financial assets and liabilities with a corresponding entry to the income statement.

Financial assets

On initial recognition, financial assets are measured at fair value and designated in one of the following categories depending on their nature and the purpose for which they were acquired:

(a) Financial assets "at fair value through profit or loss";
(b) Loans and receivables;
(c) Available-for-sale financial assets.

The purchase and sale of financial assets are recognized when the entity becomes party to the contractual provisions of the instrument. They are derecognized when the contractual rights to the financial asset have expired or the Group has substantially transferred all of the risks and rewards relating to the asset.

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

(a) Financial assets "at fair value through profit or loss"
This includes financial assets, represented by equity securities, acquired principally with the intention of short-term profit making. These securities are classified as current assets.

The financial assets in this category are initially measured at fair value and directly attributable costs are expensed in the income statement.

Gains or losses relating to changes in the fair value of the financial assets at fair value through profit or loss are included in the income statement within finance income/costs in the period in which they are incurred.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payment terms, principally trade receivables, which are not quoted in an active market. Trade receivables and loans are included in current assets, with the exception of those whose maturity is over twelve months after the balance sheet date, which are classified as non-current assets.

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

(a) Significant financial difficulty of the issuer or obligor;
(b) Ineffective enforcement of the credit due to the lack of available assets held by the debtor;
(c) It becomes probable that the borrower will enter bankruptcy or other financial restructuring.

Trade receivables due within one year are measured at fair value, which generally approximates the face value. Securitized or factored receivables, either with or without recourse, which do not meet all of the conditions that permit de-recognition, are maintained in the balance sheet; a corresponding financial liability is recognized as "Bank borrowings".

Receivables that are sold and meet all of the de-recognition criteria for financial assets, are removed from the balance sheet at the time of sale. Gains or losses arising from the sale of these assets are recognized when the assets are derecognized from the balance sheet.

(c) Available-for-sale financial assets
This heading includes equity securities and other debt securities not held-for-trading. These are classified as non-current assets where management does not intend to sell the assets within twelve months after the balance sheet date. These are measured at fair value and any change in fair value is recorded in a separate heading in other comprehensive income. The recognition of "Gains or losses relating to changes in the fair value of financial assets" only occurs when the financial asset is sold or otherwise disposed of.

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

The restatement of the value of financial assets represented by capital instruments, for which an impairment loss has been recognized in the income statement, is recorded directly in other comprehensive income.

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

Financial liabilities

Financial liabilities are initially recorded at fair value adjusted for transaction costs, and subsequently are measured at amortized cost applying the effective interest rate. The difference between amortized cost and the amount to be repaid is recognized in the income statement over the term of the liability.

Financial liabilities are classified as current liabilities except where the Group, at the balance sheet date, has an unconditional right to extend the maturity of the loan to at least more than twelve months after the balance sheet date. Trade and other payables with normal trading terms, generally less than one year, are recorded at fair value, which normally approximates the face value.

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.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank and post office deposits and short-term highly liquid investments that are readily convertible 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 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 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 that is governed by a detailed formal plan specifying details of the employment termination, or when payment of the benefit is the result of an offer made to encourage voluntary redundancy.

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 risks specific to the liability. Any adjustment to the estimated provision is recognized in the income statement in the period in which the adjustment occurred. Where discounting is used, any increase in the provision to reflect the passage of time and the impact of changes in the discount rate are recognized as borrowing costs.

Restructuring provisions are recognized when there is a constructive obligation, which takes place when the Group has a detailed formal plan and has informed those affected by the plan or when the Group has announced the plan in sufficient detail to raise valid expectation in those affected by the plan that the restructuring will be carried out.

Provisions for tax risks are recognized following assessments notified to the Group but not yet settled at the balance sheet date

Derivative financial instruments

Accounting for derivative financial instruments
Derivative financial instruments are measured at fair value, with any difference charged to 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 objective and the hedging strategy adopted.

The Group also documents the hedging instrument's effectiveness to compensate changes attributable to the hedged risk based on changes in the fair value of the hedging instruments compared to changes in the fair value of the hedged item. This assessment is carried out at inception and on a continuous basis throughout the life of the hedge.

Categories of derivatives
Hedging instruments are categorized as follows:

I) Derivatives designated as cash flow hedge: if the hedge is designated to cover the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction, the gains or losses on the effective portion of the hedging instrument are recognized in the statement of comprehensive income;
the ineffective portion of the gain or loss on the hedging instrument is recognized in the income statement.
Depending on the nature of the hedge, financial or commodity related, the ineffective portion is classified in either finance income/costs on financial transactions or operating costs/income, respectively.
The amounts recognized directly in the statement of comprehensive income are recognized in the income statement in the period in which the hedged item affects profit or loss.
When a hedging instrument reaches maturity or is sold, or 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 income statement applying the accounting treatment relevant to the hedged item.
If the forecast transaction that was subject to the hedge is no longer expected to affect the income statement, the accumulated fair value adjustments are immediately recognized in the income statement.
For the valuation of the financial liabilities hedged by cash flow hedges, please refer to the devoted paragraph.

II) Derivatives designated as fair value hedge are classified as current or non-current assets or liabilities based on their contractual maturity.
The gain or loss arising on changes in the fair value of these instruments is recognized in the income statement. Depending on the nature of the hedge, financial or commodity related, the variation of fair value is classified in either finance income/costs on financial transactions or operating costs/income, respectively.
For the valuation of the financial liabilities hedged by fair value hedges, please refer to the devoted paragraph.

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 on changes in the fair value of these instruments is recognized in the 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 costs/income, respectively.

Determination of the fair value of a hedging instrument
The fair value of an interest rate swap is determined based on the present value of the expected future cash flows, also considering the market interest rates and the credit rating of counterparties.
The fair value of forward foreign exchange contracts is determined using the forward rate at the balance sheet date.

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

The fair value of instruments that are not quoted on an active market is determined using valuation techniques, based on a series of methods and assumptions, and market information at the balance sheet date.

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

A non-current asset, or group of non-current assets and liabilities, is classified as held for sale when the carrying amount is to be recovered primarily from a sale transaction rather than through continuing use. The assets (or groups of assets) held for sale are measured at the lower of their carrying amount and their fair value, less estimated 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 of operations are classified separately in the income statement and in the balance sheet when they meet the conditions to be classified as held for sale or discontinued operations.

Total equity

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

Revenue recognition

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

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

Dividends
Dividends are recognized when the 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 the exposure to interest rate and foreign exchange risk that are booked in the income statement.

Taxation

Taxation includes both current and deferred income taxes.

Current income taxes are based on the estimate that the Group expects to pay calculated by applying to taxable income the enacted tax rates, or those substantively enacted, at the balance sheet date in each of the relevant tax jurisdictions.

Deferred income tax assets and liabilities are determined applying the liability method, whereby all of the temporary differences between the tax bases of assets and liabilities and the carrying amounts at the balance sheet date, except for goodwill, are calculated. Deferred income tax assets and liabilities are measured using the tax rates that are expected to apply to the period when the asset is expected to be realized or the liability is expected to be settled, based on tax rates that have been enacted by the balance sheet date. Income taxes arising on the distribution of dividends are recognized on distribution.

For the purpose of recognizing deferred tax assets, the Group assesses the likelihood that sufficient future taxable income will be available to recover these assets.

Tax assets and liabilities, both current and deferred, may only be offset where the amounts relate to the same tax jurisdiction, where the reversal period is the same and there is a legally enforceable right to offset the recognized amounts.

Distribution of dividends

Dividends payable to shareholders are recognized when the right to receive payment is established.

Transactions with non-controlling interests

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

5. Change in the scope of consolidation

The scope of consolidation area compared to 31 December 2015 is changed for the incorporation of:

- operating companies in the restaurant business in California (USA), named IKRG – LA1 LLC, IKRG – OC1 LLC and IKRG – LADC LLC;
- a company operating in the start-up food industry named Blubebe S.r.l. with headquarter in Italy.

At year-end the companies were not operating.

6. Notes to the consolidated financial statements

Statement of financial position

6.1 Cash and cash equivalents

Cash and cash equivalents, which amounted to euro 536,496 (euro 306,541), comprise bank and post office deposit accounts held in primary financial institutes, 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

	12/31/2016	12/31/2015
Trade receivables	460,215	490,833
Allowance for doubtful accounts	(37,095)	(44,411)
Total	**423,120**	**446,422**

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 income statement under the sub-headings "Allowance and losses on trade receivables" and "Reversal 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:

	2016	2015
Not yet overdue	390,280	398,233
Less than 3 months	27,753	38,614
Between 3 and 6 months	3,440	7,557
Between 6 and 12 months	1,647	2,018
Total	**423,120**	**446,422**

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

Movements in the allowance for doubtful accounts are as follows:

	2016	2015
Opening balance	**44,411**	**45,733**
Charges	4,884	2,407
Utilization and release	(12,454)	(2,101)
Exchange difference	254	(1,628)
Closing balance	**37,095**	**44,411**

6.3 Tax credits

Tax credits represent amounts due from tax authorities in the various countries where the Group operates.

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

6.4 Other receivables due from parent company

The balance of euro 8,175 (euro 8,901) relates to the amount due from the parent company CO.FI.BA. S.r.l. as a result of the participation in the group tax consolidation regime, of which the company is the consolidating entity.

The amount is due within one year for euro 555 (euro 1,281) and after one year for euro 7,620 (euro 7,620).

6.5 Other assets

The balance is detailed as follows:

	12/31/2016	12/31/2015
VAT receivables	50,672	51,873
Amounts due from factoring entities	41,357	27,372
Supplier advances	8,205	7,933
Amounts due from employees	3,751	3,745
Amounts due from social security authorities	3,024	3,090
Guarantee deposits	261	283
Other receivables	6,865	7,255
Government grants	257	257
Accrued income and prepayments	7,048	7,100
Total	**121,440**	**108,908**

During the year VAT receivables were collected for 46.2 euro million in Italy.

The amounts due from factoring entities comprise receivables due from factoring companies in respect of trade receivables sold but not paid yet.

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:

	12/31/2016	12/31/2015
Raw materials and semi-finished goods	108,217	118,981
Finished goods	149,103	153,181
Advances	243	27
Total	**257,563**	**272,189**

Movements in the inventory obsolescence provision are detailed as follows:

	2016	2015
Opening balance	**5,428**	**9,721**
Charges	3,197	4,067
Utilization	(1,948)	(8,165)
Exchange differences	55	(195)
Closing balance	**6,732**	**5,428**

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 2015							
Net book amounts at 1/1/2015	**29,998**	**302,885**	**504,864**	**19,817**	**6,739**	**47,588**	**911,891**
Capital expenditure	-	-	-	-	-	139,620	139,620
Capitalizations	214	33,136	111,040	9,600	4,916	(158,906)	-
Grants received	-	(5,114)	(38)	-	-	-	(5,152)
Disposals - Cost	-	(5,011)	(20,041)	(1,114)	(6,149)	-	(32,315)
Disposals - Utilization of accumulated depreciation	-	3,161	19,402	957	6,131	-	29,651
Change in consolidation scope	(165)	(1,870)	-	-	-	-	(2,035)
Depreciation and impairment losses	-	(17,801)	(89,114)	(7,940)	(3,400)	-	(118,255)
Foreign exchange differences	773	3,400	7,205	748	103	697	12,926
Net book amounts at 12/31/2015	**30,820**	**312,786**	**533,318**	**22,068**	**8,340**	**28,999**	**936,331**
Of which:							
Historical cost	30,820	633,103	2,304,087	108,622	64,150	28,999	3,169,781
Depreciation and accumulated impairment losses		(320,317)	(1,770,769)	(86,554)	(55,810)		(2,233,450)
Movements in 2016							
Capital expenditure	-	-	-	-	-	110,111	110,111
Capitalizations	194	14,292	72,774	3,796	4,002	(95,058)	-
Grants received	-	(375)	(328)	-	-	-	(703)
Disposals - Cost	(77)	(1,010)	(46,631)	(3,263)	(3,588)	-	(54,569)
Disposals - Utilization of accumulated depreciation	-	730	44,776	3,220	3,584	-	52,310
Depreciation and impairment losses	-	(21,876)	(82,609)	(7,962)	(3,128)	-	(115,575)
Foreign exchange differences	176	2,221	1,749	561	(141)	204	4,770
Net book amounts at 12/31/2016	**31,113**	**306,768**	**523,049**	**18,420**	**9,069**	**44,256**	**932,675**
Of which:							
Historical cost	31,113	648,368	2,330,001	110,057	63,929	44,256	3,227,724
Depreciation and accumulated impairment losses		(341,600)	(1,806,952)	(91,637)	(54,860)		(2,295,049)

The change in consolidation scope during 2015 was the result of the disposal of the investment in Zao Kondi in Russia.

As of 31 December 2016, the accumulated impairment losses amounted to euro 21,978 (euro 22,032).

Finance leases

The net book value of assets held under finance leases amounted to euro 16,882 (euro 24,764) and comprised:

	Land	Buildings	Plant and machinery	Other assets	Total
At 12/31/2016	-	810	16,072	-	**16,882**
At 12/31/2015	191	4,023	20,379	171	**24,764**

Details of the principal lease contracts outstanding as at 31 December 2016 are provided below:

- Barilla G. e R. Fratelli has two finance lease contracts relating to the cogeneration plants in Italy, which will expire in 2020 and 2022 and for which purchase options exist at the end of the lease term amounting to euro 14,705;
- Barilla Deutschland has entered into a finance lease contract for a mill that will expire in August 2029. The net book value at 31 December 2016 amounted to euro 1,983.

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

	12/31/2016	12/31/2015
Not later than 1 year	5,052	5,052
Later than 1 year and not later than 5 years	15,252	19,217
Later than 5 years	2,415	3,502
Total value of future minimum lease payments	**22,719**	**27,771**

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

	12/31/2016	12/31/2015
Total future minimum lease payments	22,719	27,771
Interest	(2,901)	(4,082)
Present value of lease payments	**19,818**	**23,689**

Operating leases

The minimum future lease payments by maturity under the major operating lease contracts are as follows:

	2016	2015
Not later than one year	12,433	13,947
Later than 1 year and not later than 5 years	23,350	22,601
Later than 5 years	30,086	27,509
Total future minimum lease payments	**65,869**	**64,057**

Total net operating lease payments recognized in the income statement amounted to euro 23,192 (euro 21,547).

6.8 Goodwill

Movements in goodwill are as follows:

	Goodwill
Movements in 2015	
Opening balance at 1/1/2015	**474,698**
Foreign exchange differences	3,208
Total at 12/31/2015	**477,906**
Movements in 2016	
Foreign exchange differences	(6,113)
Total at 12/31/2016	**471,793**
- of which gross value	500,147
- of which accumulated impairments	(28,354)

The impairment is totally related to the goodwill allocated to the segment Russia – Bakery, impaired in the previous years.

An analysis of goodwill by segment for impairment test purpose at 31 December 2016 is summarized in the table below:

Operating Segments – Business Units	Amount
Europe Region – Bakery	469,995
Other minor	1,798
Total	**471,793**

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 expected future cash flows relating to the groups of cash generating units.

The cash flows utilized to determine value in use cover a five-year period plus a terminal value. The plans are prepared in varying detail depending on specific requirements and the relevance of the selected variables, starting with 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. 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, normalized where necessary.

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

Operating Segments – Business Units	Discount rate		Growth rate	
	2016	2015	2016	2015
Europe Region – Bakery	7.0%	5.7%	1.6%	1.3%

Based on the annual impairment test as of 31 December 2016, no further impairment is required.

Sensitivity analysis on the key assumptions has demonstrated that their variations, and the consequent impairment of the CGUs to which the goodwill is allocated, are remote due to a significantly higher excess value compared to carrying amount of the group of cash generating units.

The goodwill denominated in foreign currencies, mainly Swedish Krone and Norwegian Krone, have undergone a change in value due to the accumulated impact of exchange rates' fluctuations.

At 31 December 2016 the effect of conversion shows a net accumulated loss of euro 9,074.

6.9 Other intangible assets

Other intangible assets consisted of the following:

	Licenses and software	Trademarks	Other	Assets under construction	Total
Movements in 2015					
Opening balance at 1/1/2015	**11,341**	**40,709**	**77**	**2,355**	**54,482**
Acquisitions and capitalizations	5,861	1,519	-	2,171	9,551
Foreign exchange differences	14	(45)	(6)	9	(28)
Amortization	(5,173)	(11,411)	(6)	-	(16,590)
Total at 12/31/2015	**12,043**	**30,772**	**65**	**4,535**	**47,415**
Of which:					
Historical cost	100,950	268,035	245	4,535	373,765
Amortization and accumulated impairment losses	(88,907)	(237,263)	(180)		(326,350)
Movements in 2016					
Acquisitions and capitalizations	10,497	1,048	-	(2,709)	8,836
Foreign exchange differences	6	(136)	(20)	11	(139)
Amortization	(5,571)	(11,365)	(3)	-	(16,939)
Total at 12/31/2016	**16,975**	**20,319**	**42**	**1,837**	**39,173**
Of which:					
Historical cost	111,555	266,938	193	1,837	380,523
Amortization and accumulated impairment losses	(94,580)	(246,619)	(151)		(341,350)

"Trademarks" relates principally to Harrys. 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 7,407 (euro 7,554) to the acquisition of new "Enterprise Resources Planning" (ERP) software with respect to the accounting, finance, management and control system.

The amount of "Assets under construction" mainly relates to costs for ERP not in use yet.

6.10 Trade and other receivables

The balance comprised:

	12/31/2016	12/31/2015
Guarantee deposits	437	287
Other non-current receivables	1,625	1,592
Total	**2,062**	**1,879**

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 these assets.

The composition and movements in deferred income tax assets and liabilities, represented net for each entity where actually offset, analyzed by related statement of financial position items and fiscal year, are illustrated in the table below:

2016	Opening balance	Reversals/charges through income statement	Impact on equity	Foreign exchange impact	Closing balance
Deferred taxes					
Property, plant and equipment	(43,758)	(9,337)	-	(489)	(53,584)
Leasing	1,088	4,417	-	9	5,514
Intangible assets	(1,122)	3,182	-	94	2,154
Financial liabilities and derivatives	701	(2,796)	(335)	(32)	(2,462)
Inventories	(1,357)	6,562	-	(37)	5,168
Spare parts	6,539	425	-	92	7,056
Provisions for other liabilities and charges	9,130	22,197	-	(41)	31,286
Pension funds	12,769	1,799	1,009	(107)	15,470
Tax losses carried forward	1,455	546	-	16	2,017
Other	30,499	(18,839)	-	262	11,922
Total	**15,945**	**8,156**	**674**	**(233)**	**24,542**
Deferred income tax assets	59,165				68,047
Deferred income tax liabilities	(43,220)				(43,505)
Total	**15,945**				**24,542**

2015	Opening balance	Reversals/charges through income statement	Impact on equity	Foreign exchange impact	Closing balance
Deferred taxes					
Property, plant and equipment	(46,982)	4,800	-	(1,576)	(43,758)
Leasing	2,740	(1,654)	-	2	1,088
Intangible assets	(723)	(444)	-	45	(1,122)
Financial liabilities and derivatives	(1,431)	953	1,187	(8)	701
Inventories	(5,648)	4,275	-	16	(1,357)
Spare parts	7,116	(857)	-	280	6,539
Provisions for other liabilities and charges	10,980	(1,809)	-	(41)	9,130
Pension funds	13,470	1,898	(2,521)	(78)	12,769
Tax losses carried forward	8,075	(5,926)	-	(694)	1,455
Other	24,929	4,558	-	1,012	30,499
Total	**12,527**	**5,794**	**(1,334)**	**(1,042)**	**15,945**
Deferred income tax assets	60,929				59,165
Deferred income tax liabilities	(48,402)				(43,220)
Total	**12,527**				**15,945**

On 7 September 2016, at the 'New Craft' exhibition organized by the Triennale di Milano, Chef Davide Oldani presents the recipe created for a new pasta shape: the one produced with the Barilla 3D printer.

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 Available-for-sale financial assets

Available-for-sale financial assets principally comprise equity investments in BRW S.p.A. amounting to euro 1,109 and other non-current financial assets for a total of euro 1,570 (euro 1,551). The increase of the year is due to the participation in the social promotion association 'Parma 2020' operating in Italy.

The Group does not evaluate the investment at equity method because the Group does not exercise a significant influence on BRW S.p.A., despite holding an ownership interest between 20% and 50%.

BRW S.p.A. operates in the advertising and communication business.

6.13 Trade payables

Trade payables, which amounted to euro 681,613 (euro 673,858), represent amounts due in relation to the purchase of goods and services. Trade payables are recorded at nominal value, which substantially approximates their fair value. All amounts are payable within one year.

The total includes euro 680 (euro 1,191) due to BRW S.p.A.

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

6.14 Borrowings

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

	12/31/2016	12/31/2015
Short-term portion of bank overdrafts and leasing obligations	13,628	13,425
Current portion of long-term bank loans	6,229	6,219
Total borrowings	**19,857**	**19,644**

The short-term portion of bank overdrafts and leasing obligations comprise bank overdrafts amounting to euro 3,731 (euro 5,111), the short-term portion of amounts due to leasing companies of euro 4,088 (euro 3,870), loans for export financing of euro 1,214 (euro 944), loans due within one year for euro 4,595 (euro 3,500).

Bank borrowings are not guaranteed by property, plant and equipment.

The current portion of the loan with the European Investment Bank (BEI) due within 12 months amounts to euro 6,229 (euro 6,219).

Current borrowings are measured at amortized cost which is deemed to approximate their fair value.

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 amounted to euro 150,011 (euro 143,954), of which amounts due within one year were euro 10,898 (euro 8,245) and due after more than one year were euro 139,113 (euro 135,709), net of plan assets for euro 4,335 (euro 5,196).

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.

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

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

- In France, there are the "Retirement Indemnity Plan" and the "Seniority 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 plan risks are related to the fact that Retirement Indemnity Plans are mandatory by law and are defined by national bargaining agreements. The main risks for these plans are the legislative risk and the assumption risks (mainly discount rate and withdrawal rate). The "Seniority Awards plans" pay benefits at any defined anniversary of working life related to the service in the company. The awards paid at this occasion are exempt of payroll taxes within the value of one month salary. The main risk on these plans would be the fiscal legislation risk characterizing them that would require additional costs.
  Other risks are related to the change in the discount rate;
- In Greece, the "Retirement Indemnity Plan" provides that the employer is required to pay an indemnity where the employee has reached pensionable age or employment is terminated involuntarily.
  The indemnity depends on a number of factors including years of service, the equivalent monthly salary in the last year of service (including bonuses) and the reason for termination.
  A scale of multiples is also defined in order to define the number of months to be paid in relation to years of service, also taking into consideration the reason for termination.
  Main risks are related to the change in the discount rate;
- In Germany, 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 foresees that payment be made on reaching pensionable age and for invalidity, and may be paid in favour of the spouse. For the Pension Plan, there is a risk related to pension increase established by 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.

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 2016 using the Projected Unit Credit Method, under which the present value of future retirement obligations to be paid is determined.

	12/31/2016	12/31/2015
Opening balance	**143,954**	**156,233**
Services costs	3,630	3,521
Finance costs	3,006	2,908
Actuarial (gains)/losses	6,575	(9,531)
Exchange differences for the year	(1,097)	141
Benefits paid	(6,057)	(9,318)
Closing balance	**150,011**	**143,954**
Of which:		
- Due within one year	10,898	8,245
- Due after one year	139,113	135,709

Services costs relate to the charges for the year.

Significant actuarial losses were recorded in 2016 due to the decrease of the discount rates principally in the Eurozone.

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

2016	Discount rate	Expected rate of return on plan assets	Estimated salary growth	Inflation rate
Italy	1.30%	n.a.	2.72%	1.50%
Germany	-0.14% - 1.25% - 1.70%	1.69%	2.25%	1.75%
France	1.10% - 1.65%	1.63%	2.25%	1.75%
Greece	1.50%	n.a.	1.50%	1.50%
Mexico	8.25%	8.25%	4.50%	3.50%
Norway	2.60%	2.60%	2.75%	1.50%
Sweden	2.75%	n.a.	3.00%	2.00%
Turkey	11.10%	n.a.	6.50%	5.00%
Switzerland	0.65%	0.65%	2.00%	1.00%

2015	Discount rate	Expected rate of return on plan assets	Estimated salary growth	Inflation rate
Italy	1.80%	n.a.	2.97%	1.75%
Germany	0.10% - 1.75%- 2.15%	2.14%	2.25%	1.75%
France	1.60% - 2.15%	n.a.	2.25%	1.75%
Greece	2.20%	n.a.	1.25%	1.25%
Mexico	7.25%	7.25%	4.50%	3.50%
Norway	2.70%	2.70%	2.75%	1.50%
Sweden	3.00%	n.a.	3.00%	2.00%
Turkey	10.85%	n.a.	6.50%	5.00%
Switzerland	0.90%	0.90%	2.00%	1.00%

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

	12/31/2016	12/31/2015
Cost of sales	1,343	1,428
Logistics costs	201	233
Selling costs	722	577
Marketing costs	89	67
General and administrative expenses, technical and development costs	1,275	1,216
Total	**3,630**	**3,521**

The plan assets composition is as follows:

	2016	2015
Listed shares and bonds	2,348	2,580
Cash and cash equivalents	98	101
Total listed assets	**2,446**	**2,681**
Insurance contracts	1,602	2,255
Not listed - other	287	260
Total assets	**4,335**	**5,196**

The weighted duration of defined benefit obligations is equal to 13 years split by plan as follows:

Years	Average	Italy	Germany	France	Sweden
Weighted duration	13	9.5	15	14.9	16.9
Average future working lifetime	11.9	12.1	8.1	17	12.9

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)	(6.22%)	6.73%
Rate of salary increase (0.5% movement)	4.97%	(4.51%)
Inflation rate (0.25% movement)	2.41%	(2.36%)
Expected mortality (1 year variation)	(0.03%)	n.a.

6.16 Current income tax liabilities

Current income tax liabilities amounted to euro 8,806 (euro 12,424) and comprised the provision for current taxes on profit for the year.

With regard to 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. under the Group taxation regime.

6.17 Other liabilities

Other liabilities consisted of the following:

	12/31/2016	12/31/2015
Amounts due to parent companies	17,526	680
Amounts due to employees	108,321	97,598
Amounts due to social security authorities	25,976	25,917
Withholding taxes from employees, consultants and freelance workers	12,070	12,064
VAT payable	2,728	2,397
Other taxes	6,792	5,905
Amounts due to customers	4,746	5,380
Other liabilities	8,923	9,129
Accruals and deferred income	1,543	3,371
Total	**188,625**	**162,441**

Amounts due to parent companies refer to the balances due to CO.FI.BA. S.r.l. for the Group taxation regime.

Accruals and deferred income mainly relate to accrued interest payable.

The fair value of other liabilities approximates the carrying value.

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:

	12/31/2015	Charges	Used/reversed	Foreign exchange impact	12/31/2016
Employee risk provision	4,270	4,750	(1,024)	-	7,996
Restructuring provision	27,601	1,715	2,627	14	31,957
Tax risk provision	633	285	(338)	33	613
Premium dealing risk	749	25	(744)	(6)	24
Returns and unsold goods provision	2,286	-	-	-	2,286
Revocatory risk provision	7,861	10,508	(3,422)	-	14,947
Litigation provision	2,622	505	(155)	(8)	2,964
Other provisions	24,903	892	(6,126)	(141)	19,528
Total	**70,925**	**18,680**	**(9,182)**	**(108)**	**80,315**
Of which:					
- Due within one year	54,999				46,505
- Due after more than one year	15,926				33,810

The "Employee risk provision" and the "Restructuring provision" have been recognized in relation to reorganization programs that include, ***inter alia***, redundancy incentives and other future employee obligations.

"Revocatory risk provisions" were registered for commercial loans collected for which there is a risk of a revocatory action.

"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:

	12/31/2016	12/31/2015
Bonds	531,710	516,994
Bank borrowings and leasing obligations	31,363	41,751
Total	**563,073**	**558,745**

Detail of the outstanding non-current bonds are summarized below:

	Nominal value in currency (USD thousands)	Nominal coupon in USD	Maturity	Carrying value	Hedging transaction		Effective interest rate in euro
					Nominal value in euro	Effective interest rate	
	75,000	4.14%	15 July 2018	72,214	50,460	2.92% (F)	3.07%
	75,000	4.76%	15 July 2021	77,811	50,562	1.12% (V)	1.23%
	50,000	4.86%	15 July 2023	52,322	33,718	1.01% (V)	1.10%
	150,000	4.43%	13 Dec 2025	150,311	115,050	0.86% (V)	0.90%
	185,000	4.03%	28 Oct 2027	179,052	169,867	0.90% (V)	0.96%
Total notes	**535,000**			**531,710**	**419,657**		

(F) Fixed interest rate
(V)Variable 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 "Bank borrowings and leasing obligations" include an amortizing loan with the European Investment Bank (BEI) that has been subscribed in January 2012 for euro 50,000 expiring in 2020. The non-current portion outstanding at 31 December 2016 amounted to euro 15,600 (euro 21,830).

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 15,730 (euro 19,818).

The irrevocable credit facility of euro 700,000, expiring in 2019, is not used at 31 December 2016.

A complete analysis of the interest rate risk management policy is provided in note 7.

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

	From 2 to 5 years	Over 5 years	Total
Bonds	150,026	381,684	**531,710**
Bank borrowings and leasing obligations	29,262	2,101	**31,363**
Total medium/long-term bank borrowings	**179,288**	**383,785**	**563,073**

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

Borrower	Description	Interest rate	At 12/31/2016	Maturity
Barilla France	Bonds (including cross currency and interest rate swaps)	fixed-variable	137,075	2018 - 2023
Barilla Iniziative	Bonds (including cross currency and interest rate swaps)	variable	283,251	2025 - 2027
Barilla Iniziative	BEI loan	variable	21,829	2020
Barilla G.e R. Fratelli Group	Banks	variable	7,571	2017
Barilla G.e R. Fratelli Group	Leasing companies	fixed	19,818	2017 - 2029
Total bank borrowings due within one year and after more than one year			**469,544***	

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

Period	Carrying value 2016	Carrying value 2015
Within 1 year	427,897	421,677
From 2 to 5 years	21,829	28,049
Over 5 years	19,818	23,689
Total borrowings due within one year and after more than one year	**469,544***	**473,415**

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

Currency	Carrying value 2016	Carrying value 2015
Euro	40,401	57,302
USD (American Dollar)	423,074	413,002
Other	6,069	3,111
Total borrowings due within one year and after more than one year	**469,544***	**473,415**

** 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 1.7% (2.4% in 2015). The calculation does not include non-recurring items relating to bonds or early repayment of loans.

The comparison between the carrying value and fair value of borrowings is disclosed in note 7.

Financial covenants and other contractual obligations

The bonds issued and the subscribed loan contracts (the "Loans") require compliance with a series of contractual obligations and financial covenants (the "Covenants").

The principal covenants, defined in one or more contracts, which are in line with practice in the reference market for similar transactions, are as follows:

Financial covenants

- Ratio of net borrowings 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 in the financial statements.

Other restrictions and contractual obligations

- Change of control;
- Obligation not to subordinate borrowings to further debt financing (*pari passu*) and/or grant pledges in favor of third parties (except where permitted contractually);
- Maintenance of fundamental elements of business assets (including key plants, trademarks, licenses and intellectual property);
- Rules and regulations governing utilization of gains on disposals, acquisition policies and dividends (where applicable).

Default events (loss of the benefit of the term)

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

- Failure to repay loan instalments;
- Non-compliance with financial covenants and other material restrictions and contractual obligations;
- Cross default (loss of the benefit of the term for other loans that exceed certain pre-determined limits);
- Insolvency, bankruptcy and other administration procedures;
- Significant change in the Group's business.

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

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

6.20 Derivative financial instruments

	12/31/2016		12/31/2015	
	Assets	Liabilities	Assets	Liabilities
- Cash flow hedge - interest rate derivatives	21,469	-	19,712	-
- Fair value hedge - interest rate derivatives	89,916	-	84,542	-
- Cash flow hedge - commodities	-	843	-	2,247
Total non-current portion	**111,385**	**843**	**104,254**	**2,247**
- Cash flow hedge - commodities	-	461	-	1,525
- Cash flow hedge - forward exchange contracts	-	39	-	-
- Held for trading - forward exchange contracts	2,387	347	997	276
- Held for trading - commodities	-	32	414	-
Total current portion	**2,387**	**879**	**1,411**	**1,801**
Total derivative financial instruments	**113,772**	**1,722**	**105,665**	**4,048**

The Group designated the following hedging types:

- Currency and interest rate swap contract for a tranche of US Private Placement bond issued in 2011, with a nominal value of USD 75 million that expires on 15 July 2018, which has been designated as cash flow hedge. The positive fair value at 31 December 2016 amounted to euro 21,469 and the effect charged to the income statement for exchange difference amounted to euro 2,253;
- Currency and interest rate swap contracts for the tranches of US Private Placement bond with a nominal value of USD 75 million that expire on 15 July 2021, which have been designated as fair value hedge. The positive fair value at 31 December 2016 amounted to euro 26,056 that was recognized in the income statement;
- Currency and interest rate swap contracts for the tranches of US Private Placement bond with a nominal value of USD 50 million that expire on 15 July 2023, which have been designated as fair value hedge. The positive fair value at 31 December 2016 amounted to euro 17,748 that was recognized in the income statement;
- Currency and interest rate swap contracts for the tranches of US Private Placement bond with a nominal value of USD 150 million that expire on 15 December 2025, which have been designated as fair value hedge. The positive fair value at 31 December 2016 amounted to euro 36,616 that was recognized in the income statement;
- Currency and interest rate swap contracts for the tranches of US Private Placement bond issued in 2015, with a nominal value of USD 185 million that expire on 28 October 2027, which have been designated as fair value hedge. The positive fair value at 13 December 2016 amounted to euro 9,496 that was recognized in the income statement.

Derivatives on commodities mainly comprise contracts to hedge electricity costs and price of wheat.

Movements in the cash flow hedge reserve were as follows:

	2016		2015	
	Gross reserve	Tax effect	Gross reserve	Tax effect
Opening balance	**(7,352)**	**2,042**	**(2,132)**	**855**
Change in fair value	(462)	414	(12,296)	3,544
Exchange difference recognized in income statement	2,253	(750)	7,076	(2,357)
Closing balance	**(5,561)**	**1,706**	**(7,352)**	**2,042**
Of which attributable to the Group	*(4,725)*	*1,450*	*(6,246)*	*1,736*

The cash flow hedge reserve includes the effective portion of interest rate hedges and the derivatives on commodities.

The notional value of the cross currency and Interest rate swap contracts at 31 December 2016 amounted to euro 50,460 in respect of the bonds that expire in 2018, while the notional value on derivatives on commodities, related to electricity contracts, amounted to euro 8,848.

The financial risk management policy is disclosed in note 7.

6.21 Other payables

Other payables, that amounted to euro 4,560 (euro 4,765) largely represent the liability in respect of social security contributions

6.22 Equity

Fully paid share capital at 31 December 2016, unchanged compared to the prior year, comprised nr. 13,100,000 ordinary shares, consisting of nr. 11,790,000 ordinary shares and nr. 1,310,000 B shares. The B shares have the same voting rights as ordinary shares in the ordinary and extraordinary shareholders' meetings but have priority in the profit distribution.

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

The shareholders' meeting of 7 July 2016 approved the payment of a dividend of euro 57,811, allocated as follows:

- an amount of euro 26,043 to B shares;
- an amount of euro 31,768 to ordinary shares.

This dividend was paid on 29 July 2016.

6.23 Non-controlling interests

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

31 December 2016	Barilla Mexico SA de CV subgroup	Barilla Iniziative Spa subgroup	
Percentage of non-controlling interests	**50%**	**15%**	
Revenue	64,882	3,412,908	
Result of the period	3,898	240,221	
Profit/(Loss) attributable to non-controlling interests	**1,949**	**35,740**	**37,689**
Total comprehensive income/(loss)	(3,894)	(6,890)	
Total comprehensive income/(loss) attibutable to non-controlling interests, without result	**(1,947)**	**(740)**	**(2,687)**
Total comprehensive income/(loss) attibutable to non-controlling interests	**2**	**35,000**	**35,002**
Current assets	26,891	1,368,552	
Non-current assets	10,541	1,636,938	
Current liabilities	(10,392)	(960,237)	
Non-current liabilities	(433)	(784,220)	
Net assets	**26,607**	**1,261,033**	
Net assets attributable to non-controlling interests	**13,304**	**187,159**	**200,463**
Net cash generated from/(used in) operating activities	6,276	423,556	
Net cash generated from/(used in) investing activities	(1,528)	(116,391)	
Net cash generated from/(used in) financing activities	(5,000)	(79,137)	
Net (decrease)/increase in cash and cash equivalents and bank overdrafts	**(252)**	**228,028**	
Total dividends paid to non-controlling interests (included in cash flow from financing activities)	**2,500**	**10,593**	**13,093**

31 December 2015	Barilla Mexico SA de CV subgroup	Barilla Iniziative Spa subgroup	
Percentage of non-controlling interests	**50%**	**15%**	
Revenue	69,756	3,382,762	
Result of the period	5,718	173,242	
Profit/(Loss) attributable to non-controlling interests	**2,859**	**25,557**	**28,416**
Total comprehensive income/(loss)	(1,964)	50,448	
Total comprehensive income/(loss) attibutable to non-controlling interests, without result	**(952)**	**7,709**	**6,757**
Total comprehensive income/(loss) attibutable to non-controlling interests	**1,907**	**33,266**	**35,173**
Current assets	30,741	1,158,385	
Non-current assets	12,019	1,638,615	
Current liabilities	(10,606)	(936,177)	
Non-current liabilities	(550)	(760,002)	
Net assets	**31,604**	**1,100,821**	
Net assets attributable to non-controlling interests	**15,802**	**162,752**	**178,554**
Net cash generated from/(used in) operating activities	4,536	301,800	
Net cash generated from/(used in) investing activities	(191)	(138,644)	
Net cash generated from/(used in) financing activities	(5,747)	(2,178)	
Net (decrease)/increase in cash and cash equivalents and bank overdrafts	**(1,402)**	**160,978**	
Total dividends paid to non-controlling interests (included in cash flow from financing activities)	**2,812**	**10,594**	**13,406**

Commitments and guarantees

Contractual commitments at the year-end that are not recognized in the financial statements amounted to euro 1,000,533 (euro 734,447) and comprised:

- commitments for finished goods purchases, wheat, other raw materials and packaging for euro 788,127 (euro 574,834);
- commitments for capital expenditure for euro 48,566 (euro 12,902);
- commitments for energy purchases for euro 163,840 (euro 146,711).

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, for euro 272,056 (euro 266,832).

Contingent liabilities

The Group has contingent liabilities in respect of legal and tax claims arising in the normal course of Group 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:

	2016	2015
Total sales of finished goods	3,346,614	3,322,032
Sales of by-products	43,913	39,481
Sales raw materials and others	22,381	21,254
Total	**3,412,908**	**3,382,767**

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

	2016	2015
Purchase of raw materials, semi-finished goods, finished goods, materials and change in inventories	1,358,200	1,445,211
Purchase of other materials	23,451	25,834
Employee costs	498,840	487,873
Depreciation and amortization	132,514	134,845
Transport and warehousing services	264,258	274,124
Promotional and advertising services	307,613	260,014
Maintenance costs	40,371	43,895
Services	92,378	69,458
Consultancy costs	16,113	33,511
Third party manufacturing costs	83,370	81,817
Sales commissions	53,023	52,422
Utilities	69,922	74,868
Travel and expenses	15,471	15,940
Property leases, rentals and operating leases	23,192	21,547
Directors' and statutory auditors' emoluments	5,091	5,006
Insurances	8,050	7,829
Other taxes	9,290	9,050
Employee training costs	3,538	3,699
Postage and telephone expenses	7,138	6,496
Customs duties	8,180	9,785
Canteen's costs	3,657	3,703
Green dot	4,947	5,052
Others	2,643	2,723
Total	**3,031,250**	**3,074,702**

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

	2016	2015
Cost of sales	107,100	107,022
Logistics costs	5,923	5,921
Selling costs	247	297
Marketing costs	56	63
General and administrative expenses, technical and development costs	19,188	21,542
Total	**132,514**	**134,845**

6.26 Other income and expenses
Other income and expenses comprised:

	2016	2015
Income and expenses from continuing operations:		
Gains/(losses) - net on disposals of property, plant and equipment	(1,934)	357
Insurance repayments	1,107	876
Net utilization of/charges to provisions	7,000	945
Allowance and losses on trade receivables	(4,942)	(2,482)
Property and other taxes	(6,667)	(6,388)
Donations on behalf of third parties and of employees	(8,551)	(6,333)
Membership fees	(1,538)	(1,602)
Employee leaving incentives	(2,354)	(4,639)
Income/(expenses) relating to other accounting periods	2,806	9,758
Bank commission and factoring services	(2,485)	(2,739)
Net services rendered and other minor amounts	15,502	9,310
Total income/(expenses) from continuing operations	**(2,056)**	**(2,937)**
Non recurring income/(expense), net	-	3,241
Total income and expenses – non recurring	**-**	**3,241**
Total other income and expenses	**(2,056)**	**304**

Non recurring income in 2015 included the gain due to the disposal of the investment in Zao Kondi for euro 2,204 and other items not related to the continuing operations.

6.27 Finance costs – net
Finance costs – net consisted of the following:

	2016	2015
Net costs relating to the net financial position:		
Interest income on bank accounts	637	1,391
Interest expense on short-term bank borrowings	(629)	(778)
Interest expense on medium/long -term bank borrowings	(1,369)	(1,546)
Interest expense on bonds	(12,005)	(5,283)
Interest expense on finance leases	(1,182)	(1,388)
Total net finance costs relating to the net financial position	**(14,548)**	**(7,604)**
Other finance income/(costs):		
Net realized exchange gains/(losses)	3,055	(4,799)
Net unrealized exchange gains/(losses)	7,988	(12,736)
Commissions on undrawn amounts	(2,242)	(2,269)
Interest costs on pension liabilities	(3,006)	(2,908)
Other (costs)/income	61	237
Total other finance income/(costs)	**5,856**	**(22,475)**
Total finance costs - net	**(8,692)**	**(30,079)**

Interest expense on medium/long-term bank borrowings also include the amortization of expenses related to the signing of the revolving line regardless of its use.

Interest expense on bonds, in accordance with IAS 39, includes the negative variation in USPP Private Placement evaluation and its related hedging instruments for euro 7,197 (in prior year the variation was positive for euro 1,763).

Commissions on undrawn amounts relate to the Committed Revolving Credit facility, not used during the year.

Other income and costs include interest 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 35.5%.

	Year ended 31 December 2016
Profit before income tax	370,912
Theoretical tax charge	115,634
Unrecognized deferred tax assets	4,191
Net non-deductible expenses/(income not subject to tax)	11,017
Use of deferred tax assets not recognized in prior periods and re-measurement of deferred taxes	908
Effective tax charge	**131,750**

The higher effective tax charge compared to the theoretical amount, calculated as the weighted average of the tax rates in the countries in which the Group operates, is largely due to non-deductible costs.

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

Europe		North America	
Italy	31.40%	USA	40.00%
Germany	29.72%		
Sweden	22.00%	**Other countries**	
France	33.33%	Russia	20.00%
Austria	25.00%	Brazil	34.00%
Turkey	20.00%	Mexico	30.00%
Greece	29.00%	Australia	30.00%

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 España S.L.	1,257	Unlimited	25%	-	314
Barilla Gida A.S.	279	5 years	various	111	-
Barilla America Inc.	15,472	20 years	various	655	-
Barilla Do Brazil LTDA	29,145	Unlimited	34%	-	9,909
Harry's Cis LLC	51,915	10 years	20%	-	10,383
Barilla Danmark A/S	1,572	Unlimited	22%	-	346
Barilla Canada Inc.	23,873	20 years	26.50%	-	6,326
Barilla Belgium S.A.	5,936	Unlimited	33.99%	-	2,018
Barilla Norge A.S.	3,266	Unlimited	25%	784	33
Barilla Poland Sp. Z.o.o.	5,927	5 years	19%	-	1,126
Barilla Singapore	12,737	Unlimited	17%	467	1,698
Barilla Shanghai	3,581	5 years	25%	-	895
Italian Kitchen USA Inc.	8,100	20 years	40%	-	3,240
Finba Bakery Holding GmbH	99,918	Unlimited	various	-	15,812
Total	**262,978**			**2,017**	**52,100**

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 these market risks, the Group uses hedging instruments (no speculative instruments are used or held). The Group manages all hedging transactions centrally. Guidelines have been issued that govern risk management and procedures have been introduced to control all transactions relating to derivative instruments.

(a) Market risk

(I) Interest rate risk

The exposure to market risk arising from changes in rates is principally linked to changes in euro interest rates, which represents the currency in which almost all Group borrowings at variable rate are denominated, including the hedging contracts. Considering the low level of debt, the Group policy is to maintain a balance between the fixed and variable rate exposure.

At 31 December 2016 approximately 15% (16%) of gross indebtedness was at fixed rates, 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 estimated cash flows applying varying assumptions based on economic expectations, existing positions and potential renewals, alternative financing, hedging policy and potential refinancing.

***Sensitivity analysis*:**

The potential post-tax effects on the income statement and other comprehensive income of a +0.5/-0.25 percentage point change in euro and USD interest rates, with all other conditions remaining unchanged, applied to the Group's variable rate borrowings at 31 December would have amounted to:

Income – (cost)	2016		2015	
	+0.5%	-0.25%	+0.5%	-0.25%
Effect on Net Result	1,620	(814)	673	(328)
Effect on Other Comprehensive Income	(93)	47	(128)	65

The tax effects were calculated applying the Group's effective tax rates at 31 December 2016 and 2015.

(II) Foreign exchange risk

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

Sensitivity analysis:

The analysis included receivables and payables denominated in foreign currencies and derivative financial instruments.

At 31 December 2016 and 2015 the potential 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)	2016		2015	
	+10%	-10%	+10%	-10%
Effect on Net Result	3,549	(946)	(6,009)	9,002
Effect on Other Comprehensive Income	(355)	415	(230)	230

(III) Price risk

The Group manages the mitigation of risks relating to trends in the prices of commodities used in the production process, mainly through medium-term supplier purchasing contracts, using also to a limited extent derivative contracts on wheat. 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 energy.

At 31 December 2016 and 2015, the potential post-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)	2016		2015	
	+5%	-5%	+5%	-5%
Effect on Net Result	53	(53)	185	(127)
Effect on Other Comprehensive Income	245	(245)	192	(192)

(b) Credit risk

Credit risk represents the risk that one of the parties to a transaction does not fulfill the financial obligations undertaken. This risk relates to outstanding trade receivables, securities and cash and cash equivalents, and operations with banks and other financial institutions comprising: deposits and other transactions, derivative instruments and the ability to meet the covenants on the irrevocable credit facilities.

The Group's retail counterparties are concentrated in the large-scale retail channel. The Group periodically assesses the credit quality of its counterparties and utilizes credit limits that are regularly monitored. Insurance policies have been entered into in respect of a portion of commercial receivables in order to cover losses arising from non-recovery.

With regard to credit risk on bank deposits and the investments in bonds, the Group has established exposure limits for each bank (that evolves continuously depending on the rating, the level of Credit Default Swaps and market information).

(c) Liquidity risk

The Group's policy is to render liquidity risk reasonably remote. This is achieved through the constant availability of funding through undrawn irrevocable credit facilities, which allows reasonably foreseeable, future financial commitments to be met, also taking into account the Group's significant cash flows.

At 31 December 2016, the Group held undrawn credit facilities maturing in 2019 of approximately euro 700,000 in addition to cash and cash equivalents in excess of euro 536,496.

An analysis of financial liabilities by maturity is provided in the table below. The maturity dates were 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.

31 December 2016	Less than 1 year	1 to 5 years	Over 5 years	Total
Borrowings with banks, other lenders and finance leases	27,243	106,843	419,957	554,043
Derivative financial instruments through profit or loss	2,002	-	-	2,002
Trade and other payables	880,166	4,559	-	884,725
Total	**909,411**	**111,402**	**419,957**	**1,440,770**

31 December 2015	Less than 1 year	1 to 5 years	Over 5 years	Total
Borrowings with banks, other lenders and finance leases	27,292	170,629	354,173	552,094
Derivative financial instruments through profit or loss	721	-	-	721
Trade and other payables	848,778	4,765	-	853,543
Total	**876,791**	**175,394**	**354,173**	**1,406,358**

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 IFRS 13:

31 December 2016	Financial assets at fair value through profit or loss	Receivables and financial receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Hedging derivatives assets	Hedging derivatives liabilities	Fair value	Fair value evaluation Level
Available-for-sale financial assets not quoted on an active market	-	-	1,570	-	-	-	-	**n.a.**	
Derivatives (assets)	2,387	-	-	-	-	111,385	-	**113,772**	Level 2
Trade and other receivables	-	585,718	-	-	-	-	-	**585,718**	
Cash and cash equivalents and financial assets	-	536,496	-	-	-	-	-	**536,496**	
Borrowings with banks and other lenders	-	-	-	51,220	531,710	-	-	**580,638**	
Trade payables	-	-	-	681,613	-	-	-	**681,613**	
Other payables	-	-	-	201,991	-	-	-	**201,991**	
Derivatives (liabilities)		-	-	-	-	-	1,344	**1,344**	Level 1
Derivatives (liabilities)	-	-	-	378	-	-	-	**378**	Level 2
Total	**2,387**	**1,122,214**	**1,570**	**935,202**	**531,710**	**111,385**	**1,344**		

31 December 2015	Financial assets at fair value through profit or loss	Receivables and financial receivables	Available-for-sale financial assets	Financial liabilities at fair value through profit or loss	Financial liabilities at amortized cost	Hedging derivatives assets	Hedging derivatives liabilities	Fair value	Fair value evaluation Level
Available-for-sale financial assets not quoted on an active market	-	-	1,551	-	-	-	-	**n.a.**	
Derivatives (assets)	1,411	-	-	-	-	104,254	-	**105,665**	Level 2
Trade and other receivables	-	590,640	-	-	-	-	-	**590,640**	
Cash and cash equivalents and financial assets	-	306,541	-	-	-	-	-	**306,541**	
Borrowings with banks and other lenders	-	-	-	33,346	545,043	-	-	**575,264**	
Trade payables	-	-	-	673,858	-	-	-	**673,858**	
Other payables	-	-	-	179,630	-	-	-	**179,630**	
Derivatives (liabilities)	-	-	-	-	-	-	3,772	**3,772**	Level 1
Derivatives (liabilities)	-	-	-	276	-	-	-	**276**	Level 2
Total	**1,411**	**897,181**	**1,551**	**887,110**	**545,043**	**104,254**	**3,772**		

During 2016 there were 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".

In 2016, there were no financial asset/liability for which the valuation method has changed (from fair value to amortized cost or vice versa).

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

- with regard to the variable rate syndicated loan, considering the same credit rating, the nominal repayment value was used, as the adjustment of future lending rates in line with Euribor determined by the markets ensures the substantial alignment in values;
- with regard to the US dollar fixed rate US Private Placement, the 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 net present value of future coupon and capital flows, calculated using the current market IRS rate increased by the market spread (based on a panel of peers) between coupons and the IRS rate, with all amounts converted to euro at the current exchange rate;
- for all other borrowings, given the low value and the fact that these largely relate to short-term and/or variable rate instruments, the carrying value is considered to correspond to their fair value.

With regard to equity investments in unquoted companies included in the category available-for-sale financial assets, the fair value cannot be reasonably determined. These investments are recognized at cost, net of any potential impairment. Further details are provided in note 6.12.

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

The net financial position of the Group at the year-end represents the sum of financial receivables and payables that originated respectively from borrowings and deposits, cash, bank, and postal accounts, securities classified as financial assets at fair value through profit or loss. The net financial position of the Group at 31 December

2016 was positive and amounted to euro 65,616 compared to the net indebtedness of euro (170,231) in 2015, which included the mark-to-market evaluation of derivatives.

Derivatives entered into to hedge the risk relating to commodities used in the production process, included in the above total, have a negative mark-to-market of euro 1,336 (negative for euro 3,358 in 2015).

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

	12/31/2016	12/31/2015
Cash and cash equivalents	536,496	306,541
Current financial assets at fair value	2,387	1,411
Banks and other borrowings (including derivatives)	(20,736)	(21,445)
Short-term net financial position	**518,147**	**286,507**
Non-current financial assets at fair value	111,385	104,254
Borrowings (including derivatives)	(563,916)	(560,992)
Medium/long-term net financial position	**(452,531)**	**(456,738)**
Total net financial position	**65,616**	**(170,231)**

Capital risk management

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

The Group monitors capital on the basis of the ratio between the net financial position and EBITDA (an alternative performance indicator). This ratio is an indicator of the ability to repay borrowings and is normalized in order to exclude non-recurring items.

Analysis of operating profit from continuing operations (EBIT-EBITDA):

	2016	2015
Operating profit	**379,602**	**308,369**
Expenses and losses on discontinued operations	-	(3,241)
Operating profit from continuing operations (EBIT)	**379,602**	**305,128**
Amortization and impairment losses of intangible fixed assets (continuing operations)	16,939	16,590
Depreciation and impairment losses of tangible fixed assets (continuing operations)	115,575	118,255
Operating profit from continuing operations before depreciation, amortization and impairment losses on fixed assets (EBITDA)	**512,116**	**439,973**

The net financial position at 31 December 2016 is positive.
The ratio net financial position/EBITDA at 31 December 2015 was 0.4:

	2016	2015
Net financial position	65,616	(170,231)
EBITDA	512,116	439,973
Net financial position/EBITDA	**n.s.**	**0.40**

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

8.1 Key management compensation

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

Total compensation paid to these individuals is presented below:

	2016	2015
Short-term benefits	14,374	13,322
Post-employment benefits	558	1,284
Other long-term benefits	4,443	2,667
Total	**19,375**	**17,273**

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.

KPMG S.p.A. has been engaged to perform the audit of the Consolidated financial statements of Barilla Holding 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 2016 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 1,220.

8.3 Relationships with company bodies

The emoluments of the directors of Barilla Holding Società per Azioni for 2016 amounted to euro 4,049.

The remuneration of the Board of Statutory Auditors of Barilla Holding in relation to Group engagements amounted to a total euro 478 in 2016.

BCFN YES! (Young Earth Solutions) rewards the best research projects with a sustainable approach in the agri-food sector.

Paolo Barilla (Vice Chairman) in the middle of the group on finalists of the 2016 edition, during the award ceremony of 1st December.

Appendices

Appendix 1.

List of companies included in the scope of consolidation

Company, headquarter and activity	Currency	Share Capital (nominal values)	% Group ownership	Through	%
Barilla Iniziative S.p.A. Via Mantova 166 – Parma (Italy) - Financial company	EURO	101,000,000	85.00	Barilla Holding Società per Azioni	85.00
Italian Kitchen S.r.l. - Socio Unico Via Mantova 166 – Parma (Italy) - Financial company	EURO	100,000	85.00	Barilla Iniziative S.p.A.	100.00
Blubebe S.r.l. Via Mantova 166 – Parma (Italy) - Start-up food industry	EURO	10,000	85.00	Barilla Iniziative S.p.A.	100.00
Italian Kitchen USA Inc. 2711 Centerville Road, Suite 400 – Wilmington County of New Castle, DE (USA) - Restaurant coordination	USD	10,000	85.00	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	85.00	Italian Kitchen USA Inc.	100.00
IKRG – LADC, LLC c/o CSC-Lawyers Incorporation Service – Sacramento California (USA) Distribution center	USD	10,000	85.00	Italian Kitchen USA Inc.	100.00
IKRG – LA1, LLC c/o CSC-Lawyers Incorporation Service – Sacramento California (USA) Restaurant company	USD	10,000	85.00	Italian Kitchen USA Inc.	100.00
IKRG – OC1, LLC c/o CSC-Lawyers Incorporation Service – Sacramento California (USA) Restaurant company	USD	10,000	85.00	Italian Kitchen USA Inc.	100.00
Finba Bakery Holding GmbH Fritz-Vomfelde-Strasse 14-20 – Düsseldorf (Germany) Financial company	EURO	25,000	85.00	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	85.00	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	85.00	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	100.00
F.I.R.S.T. Retailing S.p.A. - Socio Unico Via Mantova 166 – Parma (Italy) - Trade	EURO	5,000,000	85.00	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	100.00
F.I.R.S.T. Commerciale S.r.l. - Socio Unico Via Mantova 166 – Parma (Italy) - Trade	EURO	10,000	85.00	F.I.R.S.T. Retaliling S.p.A. - Socio Unico	100.00
Barilla Hellas S.A. 26 Pappou & Akragantos Str. – Athens (Greece) - Production and trade	EURO	7,611,840	85.00	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	85.00	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	100.00
BRJ KK 9F, 2-7-3 Hirakawacho Chiyoda-ku - Tokyo (Japan) - Trade	JPY	10,000,000	85.00	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	100.00
Barilla Japan K.K. 9F, 2-7-3 Hirakawacho Chiyoda-ku - Tokyo (Japan) - Trade	JPY	50,000	85.00	Barilla Singapore Pte Ltd	100.00
Barilla Do Brasil LTDA A.V. Pinzon, 144 – 7° Andar CJ 61, 62 e 73 - Sao Paulo (Brasil) - Trade	BRL	127,937,135	85.00	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	99.99
				Barilla Servizi Finanziari S.p.A. - Socio Unico	0.01
Barilla Austria GmbH Grabenweg 64 - Innsbruck (Austria) - Trade	EURO	436,000	85.00	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) - Production and trade	MXN	227,348,096	42.50	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	50.00

Company, headquarter and activity	Currency	Share Capital (nominal values)	% Group ownership	Through	%
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	42.50	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	USD	13,789,141	85.00	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	85.00	Barilla Singapore Pte Ltd	100.00
Barilla Middle East FZE Office No. LB191803, Jebel Ali – Dubai (United Arab Emirates) - Trade	AED	1,000,000	85.00	Barilla Singapore Pte Ltd	100.00
Barilla España S.L. Zurbano 43 – Madrid (Spain) - Trade	EURO	3,100	85.00	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	85.00	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	100.00
Barilla Gida A.S. Askent sokak 3A Kosifler Plaza D 11 Ataşehir - Istanbul (Turkey) Production and trade	TRY	2,940,000	85.00	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	85.00	Barilla Netherlands B.V.	100.00
Barilla Sverige AB PO BOX 6722, 113 85 - Stockholm (Sweden) - Production and trade	SEK	5,000,000	85.00	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	100.00
Barilla Norge AS Sandvikavegen 55 - Ottestad (Norway) - Trade	NOK	1,952,000	85.00	Barilla Sverige AB	100.00
Barilla Danmark A/S c/o J. Korsoe Jensen, Sankt Annae Plads 13 - Copenaghen (Denmark) Trade	DKK	500,000	85.00	Barilla Sverige AB	100.00
Barilla Poland Sp. Z.o.o. Ul. Poleczki, 23 – Warsaw (Poland) - Trade	PLN	14,050,000	85.00	Barilla Sverige AB	100.00
Barilla Deutschland GmbH Gustav-Heinemann-Ufer 72 c - Cologne (Germany) Production and trade	EURO	51,100	85.00	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	85.00	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	100.00
Barilla Netherlands B.V. Lange Dreef, 13i – Vianen (Netherlands) - Trade	EURO	18,000	85.00	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	85.00	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	85.00	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	85.00	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	100.00
Harry's CIS LLC Butyrski Tupik 1 Solnečnogorsk - Moscow (Russia) Production and trade	RUB	500,000,000	85.00	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	100.00
Barilla France SAS 30 Cours de l'île Seguin – Boulogne Billancourt (France) Production and trade	EURO	126,683,296	85.00	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	100.00
Harry's Restauration SAS 72 Route de Chauny - Gauchy (France) - Production and trade	EURO	153,000	85.00	Barilla France SAS	100.00
Barilla Belgium S.A. Chaussée de la Hulpe 166 - Bruxelles (Belgium) - Trade	EURO	693,882	85.00	Barilla Netherlands B.V.	71.20
			85.00	Barilla France SAS	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	28.58	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	33.620
Fiere di Parma S.p.A. Via delle Esposizioni 393A, Baganzola - Parma (Italy) - Fair activities	EURO	25,401,010	0.2391	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	0.2814
C.E.P.I.M. Piazza Europa 1, Fontevivo – Parma (Italy) - Warehousing	EURO	6,642,928	0.323	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	0.380
Immobiliare Caprazucca S.p.A. Strada al Ponte Caprazucca 6 - Parma (Italy) - Other	EURO	7,517,948	0.00002	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	0.00003
SI.GRA.D. Scrl in liquidazione Piazza Annibaliano 18 – Rome (Italy) - Farmer's union	EURO	40,000	2.21	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	EURO	30,835,220	1.0455	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	9.401	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	2.431	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	2.860
COMIECO Via Litta Pompeo 5 - Milan (Italy) - Other	EURO	1,291,000	0.0010	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	0.094	Barilla G. e R. Fratelli Società per Azioni - Socio Unico	0.110
FASTIGHETSAKTIEBOLAGET TAREDOM Pumpgatan 5 - Karlstad (Sweden) - Other	SEK	796,700	0.17	Barilla Sverige AB	0.200
STOREBRAND ABA Professor Kohts vei 9 - Lysaker (Norway) - Other	NOK	2,250,000,000	0.0002	Barilla Norge AS	0.0003
TÅGÅKERIET I BERGSLAGEN AB Kristinehamn (Sweden) - Other	SEK	3,000,000	8.50	Barilla Sverige AB	10.00
Parma 2020 c/o Unione Parmense degli Industriali, Strada al Ponte Caprazucca 6 - Parma (Italy) - Other	EURO	80,000	n.a.	Barilla Holding Società per Azioni	n.a.

Appendix 3.

Currency rates of exchange

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

Currency		Average 2016	Year end 12/31/2016
AUD	Australian Dollar	1.488	1.460
AED	Arab Emirates Dirham	4.063	3.870
BRL	Brazilian Real	3.856	3.431
CAD	Canadian Dollar	1.466	1.419
CHF	Swiss Franc	1.090	1.074
CNY	Chinese Yuan	7.352	7.320
DKK	Danish Krone	7.445	7.434
HRK	Croatian Kuna	7.533	7.560
JPY	Japanese Yen	120.197	123.400
MXN	Mexican Pesos	20.667	21.772
NOK	Norwegian Krone	9.291	9.086
PLN	Polish Zloty	4.363	4.410
RUB	Russian Ruble	74.145	64.300
SEK	Swedish Krone	9.469	9.553
TRY	Turkish Lira	3.343	3.707
USD	American Dollar	1.107	1.054

On the occasion of Rio 2016 Olympic Games, Tania Cagnotto and other great Italian sports champions tell of their love for pasta, providing evidence that victories can be built also at the table.

Report of Indipendent Auditors

KPMG S.p.A.
Revisione e organizzazione contabile
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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 Holding S.p.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the Barilla Holding Group (the "group"), which comprise the statement of financial position as at 31 December 2016, the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other illustrative information.

Directors' responsibility for the consolidated financial statements

The directors of Barilla Holding S.p.A. 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.

Independent auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing (ISA Italia) promulgated pursuant to article 11 of Legislative decree no. 39/10. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position as at 31 December 2016 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.

Report on other legal and regulatory requirements

Opinion on the consistency of the directors' report with the consolidated financial statements

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion, as required by the law, on the consistency of the directors' report, which is the responsibility of the directors of Barilla Holding S.p.A., with the consolidated financial statements. In our opinion, the directors' report is consistent with the consolidated financial statements of the Barilla Holding Group as at and for the year ended 31 December 2016.

Parma, 13 April 2017

KPMG S.p.A.

(signed on the original)

Lino Barbieri
Director of Audit

Corporate information and contacts

Barilla Holding - Società per Azioni

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Photo
Barilla historical archive

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